

ARPS yield expected returns, stability surprises

By Barry B. Burr

CHICAGO — ARPS, one of last year's hottest financing ideas and a popular investment for excess corporate assets, did not perform exactly as advertised for corporate investors.

Although most investors who bought ARPS achieved close to their expected returns, the adjust-

able rate preferred stocks did not trade in the narrow band around par value, as had been expected.

Some treasurers had invested excess corporate assets in ARPS in anticipation of their price stability. But despite the greater than expected price variation, most treasurers who used them are content with the returns.

Kenneth Drucker, treasurer of

Stauffer Chemical Co., said ARPS provide a better after-tax yield than money market funds and less risk than fixed-rate preferred stock.

"The advantage of ARPS is there is less principal risk than straight preferred," added Ronald D. Henriksen, director-corporate investments, at Eli Lilly & Co. "As a corporate buyer, we don't want to

see a lot of principal loss."

But ARPS have not been the stable instrument immune from the fluctuating prices of fixed-rated preferred stock that their issuers and their buyers had envisioned.

"Some corporations were burned" buying them, said Mr.

Henriksen.

Many others, such as Eli Lilly, have done quite well with ARPS. Lilly holds about \$32 million in the stocks.

Standard Oil Co. (Indiana), always cautious about risking its working capital in equities, put its first corporate cash in that area in May 1982, when ARPS first were

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Pensions & Investment Age

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Teachers hire Fischer Francis, PIMCO

NYC fund shifts \$1.5 billion

NEW YORK — The New York City Teachers Retirement System, with assets of about \$5 billion, has split \$1.5 billion between two new fixed-income managers and will begin using fi-

nancial futures within a few months, according to William Badger, third deputy comptroller for the city.

The fund hired Fischer, Francis, Trees & Watts, New York, and Pacific Investment Management Co., Newport Beach, Calif., giving each \$750 million. The money came from Favia, Hill & Associates, New York, which had been investing \$3 billion for the fund.

Fischer Francis has \$5.3 billion under management and PIMCO has more than \$5.3 billion; both are fixed-income specialists.

"We hired Fischer, Francis and Pacific Investment Management because they have the ability to generate new products," Mr. Badger said. "We are thinking about using futures, and they seem to be two

firms that are very familiar with futures."

Mr. Badger said the fund had interviewed a number of money managers but none knew futures as well as the two that were hired.

He said the two new managers would begin using financial futures for the teachers fund as soon as legal requirements are met.

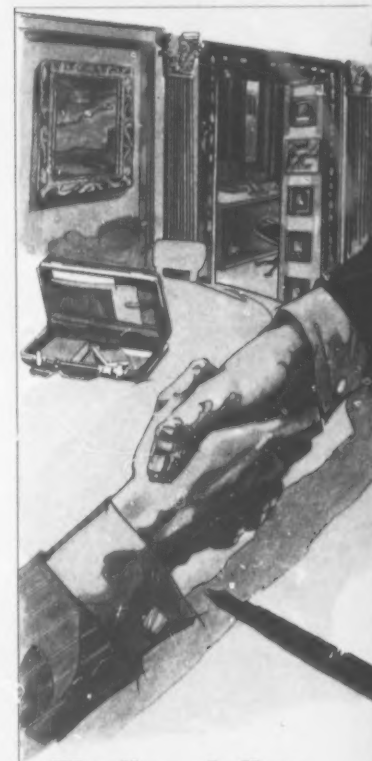
It is possible, he said, that the other funds in the city system — the New York City Employees Retirement System, the New York City Police Department Pension Fund, the New York City Fire Department Pension Fund and the Board of Education Retirement System — also would begin to use financial futures later.

These funds, together with the teachers fund, have assets totaling about \$20 billion.

Mr. Badger said the decision to cut in half the amount of money managed by Favia, Hill did not indicate unhappiness with that firm. The trustees decided \$3 billion under one manager was too much "and we wanted to spread the money around a bit," he said.

The New York City comptroller's office is responsible for managing the fixed-income assets of the teachers fund.

In addition to Favia, Hill, Lehman Management Co., New York, also manages bonds, while the short-term investments and mortgages are managed internally.



Finding dollars and the deals

In this issue, *Pensions & Investment Age* profiles the corporate finance services offered by investment and commercial banks. The special directory section begins on page 29.

Late news

501(c)(9) taxation vote

WASHINGTON — The Senate Finance Committee voted against taxing income earned by 501(c)(9) trusts, settling for less stringent restrictions. However, a House Ways and Means Committee bill would impose tough new funding limitations.

The final outcome likely will have to be decided in a conference between the two chambers.

The trusts are used to prefund employee benefits, such as long-term disability and medical benefits.

The House bill would limit trust
Continued on page 2



Calif. system hires Wilshire, drops Buck

By Steve Hemmerick

SACRAMENTO — The \$21 billion California Public Employees Retirement System investment board has decided to drop Buck Pension Fund Services in response to the resignation of the consulting firm's chairman, Doug Love.

The retirement board decided March 14 to hire Wilshire Associates, Santa Monica, as the replacement for Buck Pension as the fund's consultant. The Cali-

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Fund finds profitable frontier

By Joel Chernoff

CLEVELAND — For the \$210 million Cleveland-Cliffs Iron Co. pension fund, the future is here.

Cleveland-Cliffs has an ambitious program of investments in smaller-capitalized stocks that might blaze trails for other funds, said S. Sterling "Ted" McMillan III, vice president for finance.

The pension fund has plunged into areas in a way that could make the average pension executive edgy, including:

- Investing about half of the fund's equity portfolio in below-average capitalized stocks, with one-third to two-fifths in the bottom quartile.

- Committing about 7% of pen-

sion assets to venture capital investments.

- Getting involved, through boards of directors seats, in the management of some of the com-

panies of which it owns at least 10%.

- Investing directly in the Far East, particularly Japan, with a 7% commitment to international investments.

The fund's investment philosophy advocates lower-capitalized companies.

"We have a general plan in the fund that there are better returns available on issues that are not widely followed by the investment community," Mr. McMillan explained.

The Cleveland-Cliffs fund tends

to favor low-capitalized,

low-liquidity stocks with good returns over a period of time," he added. The fund's asset allocation is 60% equities, 25% fixed income and 15% cash equivalents.

Other funds have copied parts of Cleveland-Cliffs' investment policy, Mr. McMillan said. "I think this
Continued on page 62



S. Sterling "Ted" McMillan III

Cleveland-Cliffs

Section

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WASHINGTON DC 20004
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STATISTICAL REFERENCE INDEX
FBI
DC 20004
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El Paso Co. sued on reinvestment issue

By Fred Williams

HOUSTON — A \$45.8 million lawsuit has been filed in U.S. District Court here charging the El Paso Co. and six of its officers with breaches of fiduciary duties under ERISA, negligence and flagrant disregard of the rights of the members of its employee savings plan to aid Burlington Northern Inc. in its takeover of the company.

The suit alleges that an El Paso Co. savings plan lost about \$35.8 million because it did not use proceeds from Burlington's tender offer to reinvest in El Paso stock.

Douglas Holley and John Sample, employees of El Paso Natural Gas Co., a subsidiary of the El Paso Co., allege numerous violations of the "prudent man" section of the Employee Retirement Income Security Act. They also claim the fund was not administered "solely in the interests of the participants" of the plan during the takeover by Burlington last year.

The suit seeks \$45.8 million in damages,

most from lost profits to the plan, and including \$10 million in punitive damages.

Named as defendants in the suit are Travis Petty, El Paso chairman and president; Richard S. Morris, executive vice president; Michael Bracy, senior vice president; T.W. Bittick, president of El Paso Exploration Co.; William Holick Jr., president of El Paso Natural Gas until his retirement last year; and J.V. Waggoner, president of El Paso Products Co.

The six served as investment and administrative committees for Plan A of the Employees Savings Plan. Citibank also is named in the suit and was trustee of Fund A.

On Dec. 20, 1982, Burlington announced it intended to make an unsolicited tender offer to acquire up to 25,100,000 shares of El Paso Co. common stock, about 51%, for \$24 per share.

El Paso Co. management initially opposed the tender offer and began taking defensive measures.

Central to the allegations in the lawsuit is the management of Fund A of the savings

plan at the El Paso Co.

That fund was to be invested solely in common stock of the El Paso Co.

On Dec. 31, 1982, Fund A had an equity of \$99,763,317 represented by 4,372,949 shares of El Paso stock for an average value of \$22.75 per share.

The suit points out that on Dec. 23, after receipt of the first tender offer, the board of directors of the El Paso Co. authorized two amendments to Fund A's trust agreement of Fund A.

The amendments authorized each member to direct Citibank, the trustee, to tender the shares held in the member's name. If the member failed to give affirmative direction to tender, the trustee was directed not to tender the shares.

According to the report of operations, as of June 30, 1983, participating members tendered 92.4% of the common stock held in Fund A, or 4,053,936 shares. Burlington purchased 2,113,479, or 52.13%, at \$24 per share for a total of \$50,723,496.

"The plaintiffs allege that according to the Employees Savings Plan Report of Operations, as of June 30, 1983, none of the tender proceeds received from the tender of common stock held in member accounts had been reinvested in the common stock of the El Paso Co.," the suit said.

The failure to purchase the stock violated terms of the plan and the trust agreement, causing the fund to lose about \$11,364,504 as a result, according to the suit.

The suit claims that \$20,723,496 of the \$50,723,496 represented funds held in members' accounts and could have been invested at an average cost of \$15.50 per share and could have purchased about 1,337,000 shares with a market value of \$24.

The plaintiffs charge that about \$30 million of the \$50,723,496 tender proceeds represented funds held in trust in the members' company accounts in Plan A.

The company announced on Jan. 18, 1983, that the \$30 million and future matching

Continued on page 60

Chicago funds commit to Illinois-only real estate

By Mark Westerbeck

CHICAGO — Three Chicago municipal retirement funds have joined together in a \$65 million closed-end pooled trust that will invest only in Illinois real estate.

The \$600 million Chicago Municipal Employees' Annuity and Benefit Fund will contribute \$40 million to the trust, the \$380 million Chicago Firemen's Annuity Benefit Fund will invest \$15 million and the \$200 million Chicago Laborers' & Employees' Annuity and Benefit Fund will put in \$10 million.

The investment guidelines of the trust call for 60% of the money to be invested in Chicago property, 20% within Cook County and the rest elsewhere in the state.

Half is contributed now and the remainder in a year, unless investment opportunities call for faster contributions.

Properties generally will be in the \$5 million to \$7 million range, with a target of about eight to 10 properties and the possibility of investments as high as \$15 million. The all-equity fund might build some new properties.

The trust is organized through

the relationship of Trident Investment Management Inc., which is the investment adviser, to Richard Meyer. Mr. Meyer's firm, Meyer Investment Properties Inc., acts as real estate adviser.

John C. Weiner Jr., chairman of Trident, said special care was taken to develop an investment instrument that limits the liability to some of the trustees on the three retirement funds.

Both Mr. Weiner and Robert Golding, an attorney in the Chicago law firm of Winston and Strawn, which helped construct the investment product, said that what is unusual in this pooled trust is how some fiduciary responsibility is disbursed to Mr. Meyer on behalf of these public employee pension funds.

Mr. Weiner acknowledged a prevailing attitude in real estate circles that investing in the Sun Belt generally is preferable to the frost belt. He was adamant that this public fund pool, which is limited geographically, is not a social investment. "We've always kept away from that," he said.

While Trident is "very interested" in creating jobs, it also mandates that the investments are competitive in yield.

Burlington Northern pension fund seeks to sell note to plan sponsor

By Joel Chernoff

SEATTLE — A Burlington Northern Inc. pension fund is asking the Department of Labor for an exemption so it can sell a debt/equity mortgage investment to the fund's sponsoring company.

The Pension Trust Indenture Number Two, which is part of Burlington Northern's \$210 million master trust, wants to sell to a Burlington subsidiary a \$7.5 million secured note that was obtained in exchange for financing the expansion of a resort community 20 miles north of Phoenix, Ariz.

Such a sale would violate the Employee Retirement Income Security Act's prohibited transaction rules between a plan and a party in interest, so the fund had to apply for an exemption from the Department of Labor. It took 10 months until the department was ready to formally propose the exemption.

In April 1982, the fund lent the Boulders/Carefree Partners \$7.5 million for construction of a 630-acre expansion project, including a hotel and a clubhouse.

While the proposed deal would give the fund a hefty return, it appears the original note held out far greater prospects, according to a valuation by an independent accountant.

The Burlington fund's experi-

ence illustrates some of the difficulties involved in investing in mortgage finance, dealing with a seemingly slow-moving government bureaucracy and meeting fiduciary obligations.

Fund officials declined to be interviewed. Richard L. Johns, general partner in Boulders/Carefree Partners, declined to answer questions because the exemption is not yet final.

Under the terms of the original

deal between the fund and the partnership, the fund received a 20-year note bearing a 9% yield plus an equity kicker. The equity interest is worth 50% of the fair market value exceeding \$15 million of both the improved property and the stock of the Boulders Carefree Sewer Corp., when the note matures or is paid off.

The note is secured by a lien on the property created by a deed of

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Late news

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reserves to no more than 75% of the average benefits paid out and administrative expenses combined in the previous and current tax year. No limits now exist.

The Senate Finance Committee voted to limit benefits to top officials and highly compensated employees to no more than 25% of benefits paid out.

The House bill also would delay until 1988 cost-of-living adjustments of the limits on contributions to, and benefits from, qualified retirement plans.

First client commits

NEW YORK — Neuberger & Berman Pension Management's new fixed-income group has gained its first client, The Common Fund, said Theodore Giuliano, senior portfolio manager.

Smith Barney sale

NEW YORK — The proposed sale of Smith Barney Real Estate Corp. to a financial-services holding company will have no impact on its pension fund advisory operation, an official said.

The proposal has been well received by clients of the Smith Barney Real Estate Fund, he said.

The sale to Security Capital Corp. for \$40 million of cash and debt gives greater compensation and control to the senior executives of the real estate corporation, said Lewis Kresch, first vice president of the real estate corporation.

GEISCO wins contract

SAN FRANCISCO — The Calwestern Automated Clearing House Association, an electronic payment network operated among banks in Arizona, California, Nevada and Hawaii, has awarded a payments processing contract to General Electric Information Ser-

vices Co.

The CACHA board voted 11-7 in favor of GEISCO over the front-running proposal made by Bank of America.

Payments processing for CACHA now is undertaken by the Federal Reserve Bank.

State Street tapped

NEW YORK — Todd Shipyards Corp.'s retirement fund has hired State Street Bank & Trust, Boston, as master trustee for its roughly \$59 million in total assets, according to J.G. Van Dalen, vice president.

State Street replaces the Chase Manhattan Bank, New York, he said.

Teamsters commit

WASHINGTON — The Teamster Affiliates Pension Plan, with total assets of \$310 million, will be the first major client investing in Glenn Kent's Genesis Fund, according to Eugene Burroughs, director-investment department of the International Brotherhood of Teamsters.

The Genesis Fund clears through Abel, Noser & Co. in New York.

Committee piqued

SACRAMENTO, Calif. — The investment committee of the \$21 billion California Public Employees Retirement System is upset because there is only one candidate for the position of chief investment officer, sources said.

In a closed-door meeting March 14, sources said, committee members also ordered that an executive search firm be used to locate more candidates.

The sole candidate, who was not identified, reportedly is still in the running for the job, but final selection is said to be a month or two away.

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Finding the dollars and the deals

First Boston, Kidder Peabody, Salomon Bros. and Goldman, Sachs each reported involvement in more than 50 mergers and acquisitions in 1983.

In sheer numbers of deals, First Boston Corp. led with 84 deals totaling \$21.1 million. Salomon Bros. Inc. had fewer deals, 51, involving more money, \$14 billion. Kidder Peabody & Co. Inc. was involved in 56 worth \$9 billion, while Goldman, Sachs & Co. reported 75 mergers and acquisitions.

Others active in merger deals were Bear, Stearns & Co., 36; Donaldson, Lufkin & Jenrette Inc., 25 worth \$1.7 billion; Prudential-Bache Securities Inc., 21; and Merrill Lynch Capital Markets, 23 deals worth \$3.8 billion.

This data and other information about types of services offered by 44 investment banking firms and 22 of the nation's banks appears in this issue of *Pensions & Investment Age*.

Profiles of each firm were drawn from information the firms provided in response to questionnaires mailed to them. Some major firms were excluded because they failed to respond.

The profiles of investment banking firms differ from the bank profiles because banks cannot underwrite issues of securities. Banks can, however, participate in many other corporate finance services, including mergers and acquisitions, private placements of financing and leasing. Banks are involved in one important aspect of financing detailed in the profiles: commercial loans.

Kidder Peabody led investment bankers in the number of leveraged buy-out deals, 16. Prudential-Bache was involved in eight and Goldman, Sachs and Donaldson, Lufkin & Jenrette, were involved in five each.

Salomon Bros. arranged financing for \$5.8 billion in private placements in 1983, followed closely by Goldman, Sachs with \$4.5 billion. Drexel Burnham Lambert Inc. arranged \$1.2 billion and Prudential-Bache, \$816 million. Banks also arranged private placement financing and leasing. Harris Trust and Savings Bank reported \$87 million private placements made in 1983 and NCNB National Bank arranged \$50 million, with \$15 million being the largest deal.

In 1983, The Bank of New York put together \$85 million in five leasing deals; Irving Trust Co. has \$150 million in leases outstanding; the Bank of New England arranged \$75 million; and Harris Bank, \$14 million.

Investment banks

a

Advest Inc.

6 Central Row, Hartford, Conn.
06103; (203) 525-1421

Advest has 800 professionals in 47 offices. It has a total capital of \$57 million and excess capital of \$28 million. It is publicly owned.

Equity financings: In 1983, Advest solely managed 12 financings for \$69 million, co-managed four for \$86.6 million and ran the books for 13 for \$77.8 million. It participated in a total of 670 deals for \$194.9 million.

Debt financings: The company solely managed two for \$5.5 million, co-managed one for \$50 million and ran the books for two that raised \$55.5 million.

Anthony A. LaCroix is chairman of the board, president and chief executive officer. Allen Wientraub is senior executive vice president. Barton P. Ferris Jr. is managing director-investment banking and Robert Dorfman is first vice president-corporate finance.

b

Baker Watts and Co.

100 Light St., Baltimore, Md. 21202;
(301) 685-2600

Baker Watts and Co.'s total capital is \$6.1 million and excess capital is

\$2.5 million.

The privately held firm has three professional employees. Its domestic financial affiliates are ABG Associates and Offutt & Taylor Inc.

Equity financings: The firm solely managed two issues in 1983 for \$8 million, ran the books for one issue for \$3.1 million and co-managed two issues for \$20.6 million. Total equity participation for the year was 130 for \$14 million.

E. Rogers Novak Jr., senior vice president, is in charge of the merger and acquisition, leveraged buy-out and private placements departments.

Senior management includes Suwell S. Watts III, general partner and Eugene L. Cooke, general partner.

Bear, Stearns & Co.

55 Water St., New York, N.Y. 10041;
(212) 952-5000

Bear, Stearns, which is held privately, has total capital of \$420 million and excess capital of \$296 million on 2% and \$249 million on 5%. It has 900 professional employees and 12 offices.

Equity financings: The firm solely managed 24 issues in 1983 for \$383 million, ran the books for 36 issues for \$681 million and co-managed 18 for \$706 million.

Debt financings: The firm solely managed five debt financings for \$400 million, ran the books for 11 issues for \$665 million and co-managed 18 issues for \$2.9 billion.

Mergers & acquisitions: The firm handled 36 deals in 1983. The largest deal was Financial Corp. of America/First Charter Financial. The department is headed by Frank B. Richardson, partner.

Alan C. Greenberg is chief executive officer and Alvin H. Einbender is managing partner.

William Blair & Co.

135 S. LaSalle St. Chicago, Ill. 60603;
(312) 236-1600

William Blair has 175 employees in six offices. It has a total capital of \$43 million and excess capital of \$17 million. It is privately held.

Equity financings: The company had six solely managed for \$63 million, 16 co-managed for \$465 million and 12 for which it ran the books for \$136 million.

Debt financings: William Blair and Co. co-managed two for \$100 million.

Mergers & acquisitions: There were 40 deals in 1983, for a volume of \$700 million. The largest deal involved Pearle Health Service.

Private placements: The largest private placement was for \$10 million.

Edgar D. Jannotta is the managing partner and E. David Coolidge III is partner in charge of corporate finance.

J.C. Bradford & Co.

170 Fourth Ave. N., Nashville, Tenn.
37219; (615) 748-9000

J.C. Bradford, a privately held company, says its special expertise is in the health care, data processing and restaurant industry areas, processing initial public offerings, retail debt offerings and private equity deals. Its total capital is \$38 million and its excess capital is \$10.5 million. It employs 450 professionals in 44 offices.

Equity financings: The firm solely managed eight deals that raised \$104.6 million in 1983. It co-managed eight deals for \$136.6 million and ran the books on 12 that raised \$156.7 million.

Debt financings: It solely managed one debt financing, which raised \$50 million, and co-managed three, which raised \$175 million.

Leveraged buy-outs: One deal in

1983 for \$5.1 million.

Private placements: Bradford raised \$22.2 million with the largest single placement being \$9.8 million. Robert S. Doolittle, partner, heads the department.

J.C. Bradford Jr., senior partner and W. Lucas Simons, managing partner, head the firm's top management.

c

Carolina Securities Corp.

127 W. Hargett St., Raleigh, N.C.
27601; (919) 832-3711

Carolina Securities has 135 employees in 15 offices. It has total capital of \$2.3 million, an excess capital of \$2.2 million, and is publicly held.

Equity financings: Carolina Securities co-managed one deal for \$13 million. It participated in 249 equity deals totaling \$27.2 million during the year.

Mergers & acquisitions: The department, headed by Clayton I. Duncan, senior vice president, completed one deal in 1983 for \$23 million.

Leveraged buy-outs: The department, also headed by Mr. Duncan, completed one deal in 1983 for \$3.5 million.

Glenn E. Anderson is chairman of Carolina Securities. Garland S. Tucker III is the president and chief executive officer.

d

Donaldson, Lufkin & Jenrette

140 Broadway, New York, N.Y.
10005; (212) 902-2000

Donaldson, Lufkin & Jenrette Inc. has total capital of \$338 million. The publicly held company has 1,025 professionals in 50 offices. Its average corporate client has revenue of \$200 million.

Equity financings: In 1983, the company solely managed 10 equity deals for \$146 million, co-managed 17 for \$367 million and ran the books for 23 for \$369 million. Total equity participation was 370 deals for \$401 million.

Debt financings: Donaldson, Lufkin & Jenrette co-managed three debt financings raising \$66 million and ran the books for two raising \$50 million.

Mergers & acquisitions: Michael J. Rosenthal, senior vice president, heads this department of 40 professionals. It handled 25 deals last year for \$1.7 billion. The largest deal involved Lear Petroleum Corp.

Leveraged buy-outs: The five professionals in this department handled five deals in 1983 for \$891 million. Mr. Rosenthal is department head.

Private placements: The department is headed by Robert E. Deimar, senior vice president. It has more than 100 active institutional relationships. The total volume of placements in 1983 was \$163 million; the largest was \$70 million.

Richard H. Jenrette is chairman and chief executive officer; John K. Castle is president and chief operating officer.

Drexel Burnham Lambert Inc.

30 Broad St., New York, N.Y. 10004;
(212) 480-6000

Drexel Burnham Lambert, which is privately held, has total capital of \$407 million and excess capital of \$94 million. The firm has 120 employees and five offices.

Equity financings: It solely managed 35 issues in 1983 for \$1.1 billion, ran the books for 55 for \$1.8 billion and co-managed 29 for \$1.6 billion.

Debt financings: The firm solely managed 52 debt financings for \$3.6 billion, ran the books for 72 issues for \$6 billion and co-managed 35 issues for \$3.7 billion.

Mergers & acquisitions: The firm was involved in 20 deals for \$1 billion in 1983. There are 22 professionals in the department, which is headed by David G. Kay, managing director.

Leveraged buy-outs: There are nine professionals in the department, which is headed by John Kissick and Leon D. Black, managing directors.

Private placements: The firm has 250 active institutional relationships. The total volume of placements was \$1.2 billion in 1983; the largest was \$102.5 million. The department is headed by Gerald Koerner, first vice president.

Corporate restructurings: The firm handled 25 deals in 1983. There are seven professionals in the department, headed by James A. Snyder.

Leasing and project finance: There are six professionals in this department, which is headed by Donald R. Kendall Jr.

e

Eppler, Guerin and Turner

2001 Bryan Tower, Suite 2300,
Dallas, Texas 75201; (214)
880-9000

Eppler, Guerin and Turner Inc., a privately held firm, has a total capital of \$30 million.

Equity financings: The firm solely managed three issues in 1983 for \$32 million and co-managed three issues for \$38 million.

Mergers & acquisitions: The department is headed by Thomas O'Toole, executive vice president.

Private placements: Frank Lavinger, managing director, is head of the department.

Senior management members include D.P. Guerin, chairman; R.E. Wooldridge, president; and S. Mitchell and Mr. O'Toole.

Equitable Securities Corp.

First American Center, Nashville,
Tenn. 37219; (615) 244-9420

Equitable Securities Corp. has capital of \$3.5 million and employs 25 professionals in 14 offices. It says its special expertise is in public finance.

William H. Cammack is president and Robert F. Stamps is executive vice president.

f

Ferris & Co. Inc.

1720 Eye St. N.W., Washington, D.C.
20006; (202) 429-3500

Ferris has 155 employees in nine offices. It has total capital of \$8.3 million, excess capital of \$5 million and is privately held.

Dudley M. Patteson, vice president, heads up the merger and acquisitions, leveraged buy-out, private placement, corporate restructuring and project finance departments.

George M. Ferris Jr. is the chief executive officer. Mr. Patteson is head of corporate finance.

The First Boston Corp.

Park Avenue Plaza, New York, N.Y.
10055; (212) 909-2000

First Boston Corp., a subsidiary of First Boston Inc., has 1,216 employees in 10 offices. International affiliates include Credit Suisse First Boston and Financiere Credit Suisse First Boston. It has total capital of \$515.4 million, excess capital of \$80.2 million and is publicly held.

Equity financings: First Boston solely managed 30 deals in 1983 for \$1.1 billion, co-managed 47 for \$3.2 billion and ran the books for 54 totaling \$2.3 billion.

Debt financings: First Boston solely managed 26 debt financings for

New Issue

March 6, 1984

SallieMae

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Roger C. Pastore
Senior Vice President, Corporate Finance

Mitchell A. Johnson
Vice President and Fiscal Agent

For more details, contact the Fiscal Agency Department at 800-321-7179

Student Loan Marketing Association

1050 Thomas Jefferson Street, N.W. Washington D.C. 20007

This announcement appears as a matter of record only

Profiles

\$1.6 billion, co-managed 53 for \$7.4 billion and ran the books for 63 for \$7.6 billion.

Mergers & acquisitions: First Boston has 57 professionals in the department. It completed 84 deals in 1983 for \$21.1 million. The largest deal was Broken Hill Proprietary Ltd.'s acquisition of the coal reserves of a U.S. company. Joseph R. Perella and Bruce Wasserstein, managing directors, are the department heads.

Leveraged buy-outs: The six professionals in the department completed six deals in 1983 for \$685 million. Brian D. Young and Arthur J. Nagle, managing directors, are in charge of the department.

Private placements: The firm has 155 active institutional relationships. In 1983, the total volume of placements was \$5.6 billion. The largest private placement was for \$200 million. Thomas W. Keaveney, vice president, is the department head.

Peter T. Buchanan is president and chief executive officer; Alvin V. Shoemaker is chairman of the board.

First of Michigan Corp.

100 Renaissance Center/26th Floor,
Detroit, Mich. 48243; (313)
259-2600

First of Michigan, a subsidiary of First of Michigan Capital Corp., has 493 employees in 27 offices. Its total capital is \$14.4 million and excess capital is \$5.7 million. It is publicly held. The revenue of the average corporate client is \$50 million to \$100 million.

First of Michigan's domestic affiliates are Public Finance, Corporate Finance, First of Michigan Insurance Agency Inc., First of Michigan Properties Inc., First of Michigan Leasing Inc., First of Michigan Venture Capital Associates Inc., First of Michigan Real Estate Inc., First of Michigan Advisers Inc. and First of Michigan Explorations Inc.

Equity financings: It solely managed one for \$1.6 million, co-managed two for \$43.5 million and ran the books for two for \$20.4 million.

Debt financings: The company solely managed five for \$17.4 million.

Mergers & acquisitions: First of Michigan was involved in two deals in 1983 for \$12.4 million.

Private placements: The total volume of placements was \$28.7 million in 1983. The largest single placement was for \$10.1 million.

David H. Callaway is chairman; John G. Martin is president and chief executive officer.

Furman Selz Mager Dietz & Birney Inc.

110 Wall St., New York, N.Y. 10005;
(212) 747-0775

Furman Selz Mager Dietz & Birney has 58 professionals in one office. It has total capital of \$18.4 million and excess capital of \$8.7 million. It is privately held.

Equity financings: Furman Selz solely managed eight deals for \$77.5 million, co-managed two for \$40.9 million and ran the books for nine totaling \$93.5 million.

Senior management members include Edmund A. Hajim, chairman of the board; Bernard Selz, chief operating officer; and Roy Furman, president and chief executive officer.

g

Goldman, Sachs & Co.

85 Broad St., New York, N.Y. 10004;
(212) 902-1000

Goldman, Sachs & Co. has 1,294 professionals in 16 offices. Its domestic affiliate is Goldman Sachs Money Markets Inc. and its international affiliate is Goldman Sachs International Corp. Its total capital is \$712 million. The privately held firm has excess capital of \$512 million.

Equity financings: Goldman, Sachs solely managed 42 issues in 1983 for \$2.54 billion, co-managed 30 for \$4.1 billion and ran the books for 33 for \$2.1 billion.

Debt financings: The firm solely managed 16 for \$1.6 billion, co-managed 60 for \$8.2 billion and ran the books for 46 for \$5 billion.

Mergers & acquisitions: The 37 professionals in the department, headed by Geoffrey T. Boisi, partner, handled 75 deals in 1983.

Leveraged buy-outs: The three professionals in the department completed five deals in 1983 for a volume of more than \$350 million. Alfred C. Eckert III is the department head.

Private placements: The firm's total volume of private placements in 1983 was \$4.5 billion. The department is headed by David A. George.

John L. Weinberg and John C. Whitehead are the co-chairmen.

Gradison & Co. Inc.

580 Building, Cincinnati, Ohio 45202;
(513) 479-5935

This privately held firm has total capital of \$8 million and has 70 employees in one office.

Mergers & acquisitions: Gradison claims special expertise for this department, which is headed by Frank J. Andress, senior vice president.

Leveraged buy-outs: This department is headed by John Court, vice president.

Private placements: Donald J. Feldman, assistant vice president, heads this department. Senior management includes Donald E. Weston, chairman; David W. Ellis, president; and Frank J. Andress, senior vice president-corporate finance.

h

Herzfeld & Stern Inc.

30 Broad St., New York, N.Y. 10004;
(212) 480-1800

Herzfeld & Stern has total capital of \$100 million and has 350 employees in 13 offices.

Equity financings: The firm solely managed five issues valued at \$27.5 million in 1983.

Mergers & acquisitions: Richard Lewisohn III, senior vice president, heads this department of two professionals.

P. Thomas Cohen and Steven A. Seiden are co-chairmen of the firm.

j

Jefferies & Co. Inc.

650 Fifth Ave., New York, N.Y. 10019;
(212) 974-8666

Jefferies & Co., a publicly held company, has total capital of \$50 million. It employs 150 professionals in six of-

fices. Jefferies' domestic affiliate is W & D Securities Inc. Its average corporate client has revenues of \$150 million. The company says its special expertise is in equity and equity-related public and private financings.

Equity financings: Jefferies solely managed three equity deals totaling \$45 million and co-managed four, for \$62 million last year.

Ronald Alghini is president and Michael C. Singer is senior vice president.

Johnson, Lane, Space, Smith & Co. Inc.

5730 Glenridge Drive, Atlanta, Ga.
30328; (404) 256-5151

With total capital of \$8.1 million, this firm has excess capital of \$3.8 million. It employs 150 professionals in 16 offices, and describes its special expertise as capital formation for small and medium-sized emerging companies.

Equity financings: Johnson, Lane solely managed four 1983 deals for \$19.9 million and co-managed one.



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Profiles

which raised \$12.1 million.

Debt financings: In 1983, it raised \$6 million in a solely managed debt financing.

Leveraged buy-outs: It had a \$12 million deal in 1983. The department has five professionals under Philip P. Davis, senior vice president.

Private placements: Johnson, Lane raised \$35 million in private placements in 1983 with the largest single deal being \$27.5 million. Mr. Davis heads the department.

David T. Johnson is president of the firm.

k

Kidder Peabody & Co.

10 Hanover Square, New York, N.Y.
10005; (212) 747-2000

Kidder Peabody is a privately held

company with total capitalization of \$223.3 million and excess capital of \$59.6 million, as of Nov. 30, 1983. It has 5,514 employees in 73 offices. Financial affiliates and subsidiaries include Kidder Peabody Realty Corp., Webster Management Corp., and Financial Counselors Inc.

Equity financings: Solely managed deals in 1983 totaled 30 for \$775.3 million. The firm co-managed 70 deals for \$3,045 million, and ran the books on 72 for \$2,291 million. It participated in a total of 795 equity deals that raised \$32.4 billion.

Debt financings: Solely managed deals totaled two worth \$175 million. Co-managed deals totaled 80 for \$9.9 billion, and the firm ran the books for 16 deals totaling \$1.5 billion.

Mergers & acquisitions: Kidder participated in 56 merger and acquisition transactions worth more than \$9 billion in 1983, including the Diamond Shamrock/Natoma deal. Peter D. Goodson, vice president, heads the department.

Leveraged buy-outs: Kidder parti-

cipated in 16 leveraged buy-outs worth more than \$1.9 billion in 1983.

Private placements: Kidder's total private placement volume in 1983 was \$1.6 billion, with the largest single deal being \$196 million. J. Barton Goodwin, vice president, head the department.

Ralph D. DeNunzio is president, chief executive officer and chairman of the management committee. Robert F. Goldhammer is vice president and vice chairman of the management committee. John T. Roche is vice president and chief operating officer.

John G. Kinnard & Co. Inc.

1700 Northstar Center, Minneapolis,
Minn. 55402; (612) 370-2718

John G. Kinnard & Co. has total capital of \$1.7 million and excess capital of \$1.6 million. It employs 187 professionals in 17 offices and says its special expertise is in emerging growth companies.

Equity financings: Kinnard & Co. solely managed five financings that

raised \$18 million in 1983. It co-managed two others that raised \$3 million. Its total equity participations were seven raising \$21 million.

Private placements: Kinnard had one deal for \$700,000 in 1983.

William H. Spell, manager-corporate finance, is head of the mergers and acquisitions, leveraged buy-out and private placement departments.

Howard V. O'Connell is president and chief executive officer and Robert Moffatt is manager-fixed income.

l

Cyrus J. Lawrence Inc.

115 Broadway, New York, N.Y.
10006; (212) 962-2200

Cyrus J. Lawrence has one office. Its total capital is \$14.6 million; excess capital is \$9.7 million. The privately

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held company, which has expertise in institutional sales and research, has one office.

Mergers & acquisitions: The department has four professionals.

Leveraged buy-outs: There also are four professionals in this department.

Terry L. Nagelvoort, senior vice president, is head of the mergers and acquisition, leveraged buy-out and private placement departments.

Senior management includes James E. Moltz, chairman and chief executive officer; Charles T. Maxwell, vice chairman of the board; Gene Apruzzi, executive vice president and treasurer; and Suydam Van Zandt Schreiber, executive vice president.

Lehman Brothers Kuhn Loeb

55 Water St., New York, N.Y. 10041;
(212) 558-1500

Lehman Brothers Kuhn Loeb has more than 2,500 employees in eight domestic and two foreign offices. The firm failed to return the questionnaire by the deadline.

According to the most recent Securities Industry Yearbook, Roger Altman, Vincent Mai and Francoise de St. Phalle head a professional staff of 181 in corporate finance.

According to data from Securities Data Corp., LBKL ranked 10th in common stock volume in 1983 when full credit was given to each manager and co-manager with 58 issues for \$3.1 billion. It also ranked 10th when credit was given only to the lead manager, with 36 issues for \$1.3 billion.

Lewis L. Glucksman replaced Peter G. Peterson as chairman and chief executive officer when Mr. Peterson decided to pursue other interests. Robert S. Rubin is president.

m

Merrill Lynch & Co.

1 Liberty Plaza, 165 Broadway, New
York, N.Y. 10080; (212) 637-7455

Merrill Lynch, a publicly held company, has total capital of \$1.9 billion. It has 850 offices. Its domestic financial affiliates are Merrill Lynch Individual Services, Merrill Lynch Capital Markets, Merrill Lynch Real Estate & Insurance Group. It has global capabilities.

Equity financings: The firm solely managed 46 issues in 1983 for \$1.5 billion, ran the books for 65 issues for \$3.7 billion and co-managed 63 for \$7.1 billion.

Debt financings: The firm solely managed 37 debt financings for \$2.5 billion, ran the books for 33 issues for \$3.4 billion and co-managed 86 issues for \$10.7 billion.

Mergers & acquisitions: The firm handled 23 deals for \$3.8 billion in 1983. There are 34 professionals in the department, which is headed by Kenneth H. Miller, managing director. The largest deal involved Goodyear Tire & Rubber for \$825 million.

Leveraged buy-outs: The firm handled two deals for \$2.1 million in 1983. Robert Mancuso, managing director, is department head.

Private placements: The firm has more than 500 active institutional relationships. The largest private placement in 1983 was for \$511 million. The department is headed by Jerome P. Greene, managing director.

Senior management includes Roger E. Birk, chairman, and William A. Schreyer, president.

Mesirow Financial Services

135 S. LaSalle St., Chicago, Ill. 60603;
(312) 443-5757

Mesirow Financial Services, a subsidiary of Mesirow and Co., has 110 employees in two offices. Its total capital is more than \$10 million. The firm's domestic affiliates include Mesirow and Co., Mesirow Capital Corp., MFS Capital Partners and MFS Capi-



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Company**

280 Park Avenue, New York, N.Y. 10017

tal Partners II. The revenue of the average corporate client is between \$30 million and \$50 million.

Equity financings: The company solely managed three deals, for \$5.5 million, in 1983.

Mergers & acquisitions: The four-professional department had one deal in 1983 for \$5 million.

Leveraged buy-outs: Mesirow had two deals, totaling \$15 million.

Private placements: Mesirow has 35 active institutional relationships. The total volume of placements last year was \$8.5 million. The largest single placement was \$3 million.

James C. Tyree, executive vice president, is in charge of the merger and acquisition, leveraged buy-out, private placement and corporate restructuring departments.

Montgomery Securities

600 Montgomery St., San Francisco, Calif. 94111; (415) 627-2000

Montgomery Securities is a pri-

vately held full-service investment banking firm with total capital of \$15.5 million. Its 150 professionals claim special expertise in private and public offerings for companies in technology, health care and consumer services.

Equity financings: In 1983, the company solely managed three deals, raising \$64 million; co-managed 17, raising \$411 million; and ran the books for nine, raising \$188 million. Its total equity participations numbered 29 for \$663 million.

Debt financings: The firm co-managed four 1983 debt issues with a value of \$139 million.

Mergers & acquisitions: Headed by Herbert C. Bradshaw, manager, this department participated in one deal of \$52 million for Doric Foods in 1983.

Leveraged buy-outs: Mr. Bradshaw also is head of this department of two professionals.

Private placements: This department, headed by James I. Valentine, has 25 active institutional relationships. In 1983, it placed \$134 million.

The largest single private placement was \$12 million.

The senior management of Montgomery Securities includes Thomas W. Weisel, senior partner, and Will K. Weinstein, managing partner and director of corporate finance.

Morgan Stanley

1251 Avenue of the Americas, New York, N.Y. 10020; (212) 974-4000

Morgan Stanley's total capital is \$274 million, and excess capital is \$82 million. The privately held company has 2,600 employees in seven offices. Its domestic financial affiliates are Morgan Stanley Asset Management, Morgan Stanley Realty Inc., Brooks Harvey & Co. Inc. and Morstan Development Co., Inc. Its international financial affiliates are Morgan Stanley Canada Ltd. and Morgan Stanley International.

According to Securities Data Corp., Morgan Stanley was lead manager for 49 equity issues totaling \$4.1 billion in 1983. It was lead manager for 27 debt

issues totaling \$2.9 billion.

Mergers & acquisitions: The department is headed by Joseph G. Fogg, managing director.

Leveraged buy-outs: The department is headed by Scott C. Newquist, managing director.

Private placements: Stephan F. Newhouse, principal, is in charge of the department.

S. Parker Gilbert is chairman and Richard B. Fisher is president of the firm.

n

W.H. Newbold's Son & Co.

1500 Walnut St., Philadelphia, Pa. 19102; (215) 893-8000

W.H. Newbold's Son & Co. has 143 employees in 11 offices. It has total capital of \$5.5 million, and excess

p

Paine, Webber, Jackson & Curtis Inc.

140 Broadway, New York, N.Y. 10005; (212) 437-2121

Paine, Webber has 227 domestic and seven foreign offices employing about 10,000 employees in its various units, which include Paine Webber Mitchell Hutchins Inc. and Blyth Eastman Paine Webber Inc., according to the most recent Securities Industry Year Book. The firm did not return the questionnaire by deadline.

According to Securities Data Corp. figures, Blyth Eastman Paine Webber ranked 13th in common stock volume in 1983 when full credit was given to each manager and co-manager with 47 deals worth \$2.1 billion. When credit was given only to the lead manager Blyth Eastman Paine Webber ranked 12th with 33 deals worth \$936 million.

Donald D. Marron is chairman, president and chief executive officer and Thomas M. Wendell is chief financial officer.

Parker/Hunter Inc.

4000 United States Steel Building, Pittsburgh, Pa. 15219; (412) 562-8000

Parker/Hunter Inc., a privately held regional investment banking firm, has capital of \$6 million, excess capital of \$5 million and employs 300 in 21 offices.

Equity underwritings: The firm solely managed one deal for \$3.3 million in 1983.

Robert W. Kampmeier, executive vice president, is head of the mergers and acquisitions, leveraged buy-out and private placement departments.

David W. Hunter, chairman, and J. Mahon Childs, president, head the firm.

Piper, Jaffray & Hopwood

733 Marquette Ave., Suite 800, Minneapolis, Minn. 55402; (612) 371-6095

Piper, Jaffray, a publicly held firm, has total capital of \$43.2 million and excess capital of \$20.6 million. It has 42 offices.

Equity financings: In 1983, Piper, Jaffray solely managed six deals, raising \$42.5 million; co-managed seven deals, raising \$238 million; and ran the books for seven, raising \$54.8 million. There was a total of 897 equity participations, raising \$318.9 million.

Debt financings: The firm solely managed five debt deals, raising \$50.9 million and co-managed two deals for \$100 million.

Harry C. Piper is chairman of the firm and Addison L. Piper is chief executive officer.

Prescott, Ball & Turben Inc.

1331 Euclid Ave., Cleveland, Ohio 44115; (216) 574-7300

Prescott, Ball and Turben, which is 80% owned by Kemper Corp., has 1,016 employees in 39 offices. Its total capital is \$63.1 million; its excess capital is \$15.8 million.

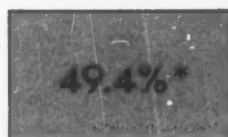
Equity financings: Prescott, Ball and Turben solely managed seven

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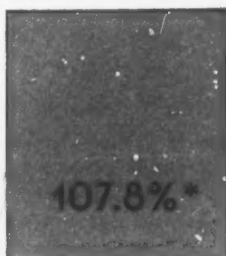
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L

317 267-7703

total capital is \$205 million, and excess capital is \$128 million. The privately held firm has 2,598 employees in 140 offices. Its domestic financial affiliate is Realty World. Its international financial affiliates include Thomson McKinnon International S.A., Belgium; Thomson McKinnon International Ltd., London; and Thomson McKinnon International S.A.R.L., Paris.

Equity financings: The firm solely managed three issues in 1983 for \$50 million, ran the books for five issues for \$65 million and co-managed four issues for \$60 million.

Mergers & acquisitions: The firm handled five deals in 1983. There are five professionals in the department,

which is headed by William J. Gilliam, managing director.

Leveraged buy-outs: This department is headed by James D. Dunning Jr., senior vice president and director of corporate finance.

Private placements: Mr. Dunning also heads this department. The largest private placement in 1983 was \$21.5 million.

J. Ronald Morgan is chairman of Thomson McKinnon and Philip Fahey is president.

Tucker, Anthony & R. L. Day
120 Broadway, New York, N.Y.
10271; (212) 618-7400

Tucker, Anthony, a subsidiary of

John Hancock Mutual Life Insurance Co., has total capital of \$20 million and employs 350 in 34 offices.

It says it has special expertise in middle-market financings, private placements, mergers and defeasance.

Equity financings: Tucker, Anthony solely managed one equity deal for \$12.1 million in 1983, and co-managed six for \$145 million.

Debt financings: It co-managed one deal for \$25 million in 1983.

Mergers & acquisitions: Kenneth N. Davis Jr., vice president, heads this new department.

Private placements: E.W. Morris Jr., vice president, heads this department, which was involved in placements totaling \$23 million in 1983.

K.D. Mann Jr., managing director and Mr. Morris head the firm.

W

Wheat, First Securities Inc.
701 E. Main St., Richmond, Va.,
23219; (804) 649-2311

Wheat First has 1,128 employees in 52 offices. It has total capital of \$18.2 million and is privately held. Among its affiliates is Wheat Investment Advisors.

Equity financings: Six solely managed for \$98.6 million in 1983; nine co-managed for \$351.9 million; and seven for which the company ran the books for \$101.1 million.

Debt financings: Seven solely managed for \$81.3 million; six co-managed for \$191.6 million; and 10 for which the company ran the books for \$148 million.

Mergers & acquisitions: Two deals for \$13.8 million.

Leveraged buy-outs: One deal for \$23 million.

James C. Wheat Jr. is chairman and F. Carlyle Tiller is president.

Pensions & Investment Age will publish its annual directory of investment advisers April 30.

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Z

B.C. Ziegler & Co.
215 N. Main St., West Bend, Wis.
53095; (414) 334-5521

This publicly held firm has total capital of \$27.4 million and employs 60 professionals in 26 offices.

It says its specialty is underwriting and distribution of debt securities.

Debt financings: In 1983 it solely managed 56 deals, which raised a total of \$518 million.

R.D. Ziegler is president and chief executive officer and J.G. McCollow is executive vice president and general counsel.

Commercial banks

a

American Bank and Trust Co. of Pennsylvania
35 N. Sixth St., Reading, Pa. 19601;
(215) 320-2000.

American Bank and Trust Co., which is privately held, has total assets of \$2.75 billion and a legal lending limit of \$19 million. It has loans outstanding totaling \$1.6 billion.

Commercial loans: Loans originated in 1983 totaled \$150 million. All of the loans were domestic. There are 26 professionals in the department, which is headed by William E. Snell Jr., senior vice president.

International finance: The bank had six foreign clients in 1983. There are four professional in this department which is headed by James Nannos, vice president at (215) 854-3170.

Debt services: The bank can help a client float a debt issue, assist in direct placement and offer syndication advice.

American National Bank & Trust Co. of Chicago
33 N. LaSalle St., Chicago, Ill. 60690;
(312) 661-5000

American National Bank & Trust Co. of Chicago has total assets of \$3 billion and a legal lending limit of \$26 million. It has loans outstanding totaling \$1.6 billion.

Its major domestic financial affiliate is American National Corp. The bank has two branches outside the United States: London and the Cayman Islands.

Commercial loans: There are 50 professionals in this department, which is headed by Ronald J. Grayheck, senior executive vice president, at (312) 661-5875.

International finance: There are 10 professionals in this department, which is headed by Michael Hagen, vice president, at (312) 631-6189.

American Securities Corp.
1501 Pennsylvania Ave. N.W.,
Washington, D.C. 20013; (202) 624-4000

American Securities Corp., is the publicly held holding company for American Securities Bank. It has total assets of \$3.7 billion and a legal lending limit of \$35 million. Total loans outstanding of the bank as of Dec. 31 were \$1.7 million. It has one branch outside the United States: Nassau, Bahamas. It has four professional employees in corporate finance. Its domestic financial affiliate is ASB Capital Management Inc. Its international financial affiliate American Securities Bank International in Miami.

Private placements: The department is headed by Jeffrey T. Griffin,

group vice president, at (202) 624-4843. It has five active relationships and totaled \$15 million in domestic placements for 1983. The largest private placement during the year was \$4.7 million.

Corporate financial planning: Mr. Griffin also heads this department of two professionals. It had seven relationships in 1983.

Commercial loans: The department is headed by Walter W. Vaughan, executive vice president, at (202) 624-4654.

International finance: G. Stimson Eveleth, senior vice president, is the department head at (202) 624-4324.

Debt and equity services: The bank can help clients float debt issues. It can assist in direct placement of debt and equity issues and also can offer syndication advice for debt and equity.

AmeriTrust Co.
900 Euclid Ave., Cleveland, Ohio
44101; (216) 687-5000

AmeriTrust has total assets of \$5,684 million. Its legal lending limit is \$80 million. The bank has one branch outside the United States, in Nassau.

Commercial loans: Benjamin H. Paddock, executive vice president, (216) 687-2760, heads this department of 489 professionals.

Leasing: Charles J. Berkey, vice president, (216) 687-2796, heads this department of 11 professionals.

AmeriTrust also offers transportation management, stock transfer and cash management services.

b

Bancorp Hawaii Inc.
P.O. Box 2900, Honolulu, Hawaii,
96846; (808) 537-8111

Bancorp Hawaii has total assets of \$3.4 billion and a legal lending limit of \$20 million. As of Dec. 31, it had loans outstanding totaling \$1.8 billion.

Bancorp Hawaii nine branches outside the United States in Nassau, Manila, Guam, American Samoa, Ponape, Koror, Saipan, Yap and Kwajalein. Its international financial affiliates are Bank of Hawaii International New York, Banque de Tahiti, Bank of Tonga, Banque de Nouvelle Calédonie and Pacific Commercial Bank (Western Samoa).

Private placements: This department has 70 active client relationships. In 1983, total volume raised was \$1.46 billion. Of that, \$150 million was in domestic markets and \$1.3 billion was in Euro-markets. The largest private placement in 1983 was \$20 million. Sam Eastabrooks, senior vice president, is the department head, at (808) 537-8111.

Corporate financial planning: This department of three professionals is headed by Thomas Kappock, senior vice president, at (808) 537-8386.

Commercial loans: In more than 108,000 transactions, this department lent \$1.97 billion in 1983. Of that total, domestic loans comprised \$1.6 billion. The department head is Dennis Kam, senior vice president, at (808) 537-8111.

Commercial paper: In 1983, the total value of commercial paper issued was \$444 million. Richard Dahl, senior vice president, is the department head.

Leasing: In 1983, the bank was involved in 368 leasing transactions worth a total of \$24 million. The department head is Gary Osterman, executive vice president, at (808) 537-8111.

International finance: In 1983, Bancorp had 300 foreign clients. Mr. Eastabrooks also heads this department.

Bank of New England
28 State St., Boston, Mass. 02109;
(617) 742-4000

The Bank of New England has total

Profiles

assets of \$3.5 billion and a legal lending limit of \$30 million. It has total loans outstanding of \$2 billion.

Corporate financial planning: Thomas Rice, vice president, (617) 973-1661, heads this department. There are three professionals.

Commercial loans: This department originated 4,500 loans with a value of \$500 million in 1983. Of the total, \$425 million was domestic and \$75 million was foreign. Richard P. Driscoll, executive vice president, (617) 973-4200, heads this department of 400 professionals.

Leasing: Eugene McCulloch, president, heads this department, which was involved in leasing transactions worth \$75 million in 1983. There are 50 professionals.

International finance: Arthur Meehan Jr., executive vice president, (617) 973-4200, heads this department of 50 professionals.

The Bank of New York

46 Wall St., New York, N.Y. 10015;
(212) 530-1784

The Bank of New York has total assets of \$12.6 billion and a legal lending limit of \$107.8 million. As of Dec. 31, it had loans outstanding totaling \$8.1 billion.

Its major domestic affiliates are Bank of New York (Delaware), ARCS Mortgage Inc. and BNY Financial Corp. It has three branches outside the United States: London, Singapore and Cayman Islands. Its major international affiliates are Bank of New York International and Delfin BNY (Australia).

Private placements: In 1983, the volume of placements totaled \$10 million — all domestic. The largest was \$5 million. The department head is Martin Waldman, assistant vice president, at (212) 530-1784.

Corporate financial planning: In 1983, Bank of New York had four client relationships. There are two professionals in this department, which is also headed by Mr. Waldman.

Commercial loans: Gregory W. Spurr Jr., senior vice president, at (212) 530-3007, is the department head.

Leasing: In 1983, five leasing transactions had a total volume of \$85 million. There are two professionals in this department, which is headed by Deborah E. Perkins, vice president, at (212) 530-1451.

International finance: Harvey Delapena Jr., senior vice president, at (212) 530-1291, is the department head.



Citibank

399 Park Ave., New York, N.Y. 10043;
(212) 559-1000

Citibank has total assets of \$134.6 billion. Its total commercial loans, net, in 1983 were \$59.7 billion and its lease financing, net, totaled \$1.8 billion.

At year-end 1983, Citibank's total capital was \$9.6 billion.

Top management in charge of the investment banking functions include P.J. Collins, executive vice president-capital markets group; A.C. Howkins, executive vice president-capital markets group-global investment banking; and J.W. Stevens, capital markets group-global investment banking.

Continental Illinois National Bank and Trust Co. of Chicago

231 S. LaSalle St., Chicago, Ill. 60697;
(312) 828-2345

Continental Illinois has total assets of \$40.6 billion. As of Dec. 31, it had loans outstanding totaling \$32 billion.

The parent company is Continental Illinois Corp. The parent company's other domestic financial subsidiaries are Continental Illinois Leasing Corp.,

Continental Illinois Venture Corp. and Continental Illinois Equity Corp. The bank has 23 branches outside the United States including Hong Kong, Japan, France, Germany, Greece, Switzerland and the United Kingdom.

U.S. capital markets: William L. Gunlicks, senior vice president, at (312) 828-4690, heads this department of 35 professionals.

Commercial loans: This department is headed by Edward S. Bottum, executive vice president, at (312) 828-6544.

Commercial paper: There are 20 professionals in this department, which is headed by Michael O. Rigg, senior vice president, at (312) 828-7259.

Leasing: There are 66 professionals in this area, which is headed by Bernard J. McKenna at (312) 828-7400.

International capital markets: Continental Illinois Ltd. handles this area. It has 51 professionals and is headed by William A. Page, managing director, in London at 01-236-5292.

Debt and equity services: The bank can help clients float debt and equity issues. It also can assist in direct placement and offer syndication advice for debt and equity.



Fidelity Bank

Broad & Walnut Street, Philadelphia, Pa. 19109; (215) 985-6000

Fidelity Bank has total assets of \$4.7 billion and a legal lending limit of \$25 million. As of Dec. 31, it had total loans outstanding of \$1.8 billion.

Fidelcor Inc. is the parent firm. Its major domestic financial affiliates are Fidelity Bond & Mortgage Co., Southeast National Bank, Trefoil Capital Corp. and Latimer & Buck Inc. Its major international financial affiliate is Fidelity International Bank, New York

City. The bank has two branches outside the United States: London and Nassau.

Corporate services the bank offers are commercial loans, international finance and debt and equity services through its real estate affiliates.

The First National Bank and Trust Co. of Oklahoma City

120 N. Robinson, Oklahoma City, Okla. 73102; (405) 272-4000

The First National Bank and Trust Co. of Oklahoma City has total assets of \$2.6 billion and a legal lending limit of \$24 million.

It has one branch outside the United States, Cayman Island.

Commercial loans: The 2,101 loans originated in 1983 had a total value of \$816 million. The department is headed by Houston Huffman, senior vice president.

Commercial paper: The bank originated commercial paper, worth \$211 million, for one company. The department is headed by Lou Davis,

senior vice president.

International finance: The bank had seven foreign clients in 1983. There are four professionals in this department, which is headed by S.V. Brumley, vice president, at (405) 272-4283.

Fleet National Bank

111 Westminster St., Providence, R.I. 02903; (401) 278-6000

The bank has total assets of \$4.9 billion.

Fleet Financial Group is the parent firm. The bank's major domestic financial affiliates are Fleet Credit Corp., Fleet Mortgage Corp., Fleet Finance-N.J., Fleet Finance-Ga. and Bankers Mortgage Corp. It also has an international financial affiliate, Fleet Finance Asia Ltd. The bank has four branches outside the United States: London, Hong Kong, Grand Cayman and Curacao.

Private placements: Roger Peterson, senior vice president, at (401) 278-6307, is the department head.

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Exceptional Ethyl



Corporate financial planning: Karen L. Coates, assistant vice president, (401) 278-5858, heads this department of three professionals.

Commercial loans: There are 50 professionals in this department, which is headed by George P. Clayton, executive vice president, at (401) 278-6255.

Commercial paper: In 1983, the bank originated commercial paper for five companies for a total value of \$4 billion. There are two professionals in this department, which is headed by Edward B. Cassasa, vice president, at (401) 278-6953.

Leasing: In 1983, Fleet Credit Corp. was involved in 1,185 leasing transactions, which had a volume of \$125 million. Arthur M. Loewenthal, at (401) 278-6911, is president of Fleet Credit.

International finance: The bank had 232 foreign clients in 1983. The department is headed by Robert J. Higgins, executive vice president, at (401) 278-5778.

Debt and equity services: The bank can act as an agent in private placements of debt and equity issues. It can assist privately in direct placement of debt and equity issues and also can offer syndication advice for debt and equity.

h

Harris Trust and Savings Bank

111 W. Monroe St., P.O. Box 755,
Chicago, Ill. 60690; (312) 461-2121

Harris has total assets of \$6.9 billion and a legal lending limit of \$32 million. Its loans outstanding total \$3.7 billion. It has branch offices in London, Nassau and Singapore.

Private placements: Peter D. Mor-

ris, vice president, (312) 461-5688, heads this division, which had a 1983 volume of \$87 million — all domestic — and maintains 65 active relationships. The largest single placement in 1983 was \$7 million.

Corporate financial planning: Mr. Morris also heads this division, which has 10 professionals and had 17 active relationships in 1983.

Commercial loans: Ben T. Nelson, executive vice president, (312) 461-5055, heads a department of 158 officers.

Leasing: Mr. Morris heads this division, which was involved in 28 transactions involving \$14 million in 1983.

International lending: Robert E. Vanden Bosch, senior vice president, (312) 461-3737, heads this area, which had 600 foreign clients in 1983.

Debt and equity services: Harris can help float a debt issue, help with direct placement of debt and offer syndication advice for debt.

Huntington National Bank

Suite 600, 17 S. High St., Columbus,
Ohio 43215; (614) 469-7000

Huntington has total assets of \$4.1 billion and a legal lending limit of \$30 million. As of Dec. 31, it had loans outstanding totaling \$2.1 billion.

The parent firm is Huntington Bancshares Inc.

There are 52 professional employees in corporate finance.

Corporate financial planning: There are four professionals in this department.

Commercial loans: Loans originated by the 15 professionals in this department in 1983 had a total value of \$855 million, of which \$790 million was domestic. Frank Bozick, senior vice president, at (614) 469-7606, heads the department.

Commercial paper: 1983 commercial paper issuance totaled \$46 million. This department is headed by Don Stuhldreher, executive vice presi-

dent, at (614) 469-6293.

Leasing: Last year, the bank was involved in 111 leasing transactions, which had a total volume of \$20.3 billion. There are seven professionals in this department, which is headed by David Skomkowski, vice president, at (614) 469-6436.

International finance: There are 17 professionals in this department, which is headed by Phil Freeman, senior vice president, at (614) 469-6569.

i

Irving Trust Co.

1 Wall St., New York, N.Y. 10015;
(212) 487-2121

Irving Trust has total assets of \$16.5 billion and a legal lending limit of \$155 million. As of Dec. 31, it had loans outstanding totaling \$9 million. Irving Bank Corp. is the parent firm.

Its major domestic financial affiliates include the Hayes National Bank, the Bank of Lake Placid, Endicott Trust Co. and Union National Bank. Its major international financial affiliates include the Australian International Finance Corp., Banco de Investimento Credibanco, Brazil; China United Trust and Investment Corp.; and Banco della Svizzera Italiana, Switzerland. The bank has 17 branches outside the United States.

Private placements: The department is headed by Vice Presidents Robert P. Sibert at (212) 487-2526 and Philip K. Chamberlain (212) 487-2546. The total volume of placements for 1983 was \$30 million and the largest single placement was for \$13 million.

Corporate financial planning: There are seven professionals in this department, which is headed by Rob-

ert A. Bullington, vice president, at (212) 487-6193.

Commercial loans: There are more than 200 professionals in this department, which is headed by David M. Mace, president, (212) 487-5543; Philip D. Barksdale, executive vice president, (212) 487-2297; and Philip B. Smith, executive vice president, (212) 487-5300. The value of the loans originated in 1983 totaled \$10.7 billion of which \$5.6 billion was domestic and \$5.1 billion was foreign.

Commercial paper: All Irving Trust bank lending officers are professionals. It acts as an agent only. The department head is Neal T. Maher, senior vice president, at (212) 487-3314.

Leasing: The department is headed by Michael R. Chalian, vice president and general manager, at (212) 922-5014. The total outstanding is \$150 million.

International finance: The head of the department is Solmaz D. Ayarslan, vice president, at (212) 487-5466.

Debt and equity services: The bank can help a client float debt and equity issues. It can assist in direct placement of debt and equity and also offers syndication advice for debt and equity.

m

Manufacturers Hanover Trust

270 Park Ave., New York, N.Y. 10017;
(212) 286-6000

Manufacturers Hanover Trust has total assets of \$57.7 billion and loans outstanding totaling \$42.5 billion.

Manufacturers Hanover Co. is the parent firm. Its major domestic financial affiliates are Manufacturers Hanover Corp., Manufacturers Hanover Mortgage Corp., Manufacturers Hanover Investment, Manufacturers Hanover Commercial and Manufacturers Financial Services Inc. Its major international financial affiliates are Manufacturers Hanover Ltd., Manufacturers Hanover Asia Ltd., Manufacturers Hanover Bank of Nordique and Manufacturers Hanover Bank of Canada. The bank has branches in 39 countries on six continents outside the United States.

Private placements: The department is headed by Timothy Sweet, vice president, at (212) 286-4212. The largest single placement in 1983 was for \$15 million.

Leasing: There are 225 professionals in this department, which is headed by Karl M. Parrish, chairman of MH Leasing, at (212) 286-5858.

International finance: The department head is C. William Schroth, senior vice president and deputy general manager, at (212) 286-4280.

Debt and equity services: The firm can help clients float debt issues and equity issues. It assists in direct placement of debt and equity. It also offers syndication advice for debt and equity.

Mellon Bank

Mellon Square, Pittsburgh, Pa. 15230;
(412) 234-4100

The bank has total assets of \$20.9 billion and a legal lending limit of \$152 million. It has loans outstanding totaling \$11.6 billion.

Major domestic financial affiliates are Mellon Financial Service Corp. and Franklin Portfolio Associates. Its major international financial affiliate is Mellon Pictet International Management Ltd. The bank has five branches outside the United States: London, Tokyo, Hong Kong, Grand Cayman and Frankfurt.

Private placements: Johnathan Spatz, vice president, at (412) 234-7116, is the department head.

Corporate financial planning: James D. Roy, senior vice president, at (412) 234-4611, is the department head.

Commercial loans: Fredrich K.

Beard, senior vice president, at (412) 234-4494, is the department head.

Commercial paper: E. Michael Caulfield, senior vice president, at (412) 234-4081, is the department head.

Leasing: Harry R. Leggett, (412) 234-5061, is the president of the leasing group.

International finance: Brendon Carroll, executive vice president, at (412) 234-5766, is the department head.

Mercantile Trust Co.

1 Mercantile Center, St. Louis, Mo.
63101; (314) 425-2525

Mercantile Trust has total assets of \$3.4 billion and a legal lending limit of \$34.6 million. As of Dec. 31, it had loans outstanding totaling \$1.85 billion.

Mercantile Bank Corp. is the parent firm. Its major domestic financial affiliates are Mercantile Business Credit Inc. and Mercantile Custom Services Inc. Its major international financial affiliates are Mercantile Bank International and its South American regional office. The bank has one branch outside the United States: Grand Cayman.

Commercial loans: There are 120 professionals in this department, which is headed by Robert Blomquist, vice chairman, at (314) 425-2517.

Leasing: There are two professionals in this department, which is headed by Dean F. Bradley, vice president, at (314) 425-8111.

International finance: This department of 22 professionals is headed by Akbar Husaim, senior vice president, at (314) 425-8111.

Morgan Guaranty Trust Co.

23 Wall St., New York, N.Y. 10015;
(212) 483-2323

Morgan Guaranty has total assets of \$55.6 billion and a legal lending limit of \$550 million.

It has 18 foreign branches including Antwerp, Brussels, Frankfurt, Hong Kong, Milan, Paris, London, Singapore and Tokyo.

Private placements: Harry J. Roundell, senior vice president, (212) 483-3101, heads up the private placement department.

Commercial paper: The department head is Stephen C. Kirmse, vice president, at (212) 483-7721.

Leasing: This department is headed by Harry J. Roundell, senior vice president, at (212) 483-3101.

n

National Bank of Detroit

611 Woodward Ave. Detroit, Mich.
48226; (313) 225-1000

National of Detroit has total assets of \$11.6 billion and a legal lending limit of \$100 million. As of Dec. 31, it had loans outstanding totaling \$4.9 billion.

Its four branches outside the United States are in London, Frankfurt, Tokyo and Toronto.

Its major financial affiliates include NBD Mortgage Co., Michigan Capital Service Inc., American Business Finance Inc. and Corporate Funding Inc.

Private placements: John S. Wells Jr., vice president, (313) 225-1257, is department head.

Corporate financial planning: William S. Bigelow, first vice president, (313) 225-2524, is department head.

Commercial loans: Donald M. Nowicki, first vice president, (313) 225-2794, heads this department.

Leasing: Mr. Wells is in charge of this area.

International finance: William R. Flynn, senior vice president, (313) 225-2457, is department head.

Debt and equity services: The bank says it can assist in the direct placement of debt and equity issues.

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Profiles

National Westminster Bank

175 Water St., New York, N.Y. 10038;
(212) 623-4000

National Westminster Bank USA has total assets of \$7.5 billion and a legal lending limit of \$70 million. As of Dec. 31, it had loans outstanding totaling \$4.6 billion.

National Westminster Bank, U.S. is the parent firm. The bank has three representative offices outside the United States: London, Rio de Janeiro and Hong Kong.

Private placements: The department is headed by Richard Tunick, senior vice president.

Corporate financial planning: The department is headed by George Matson, executive vice president.

Commercial loans: The department is headed by Paul Klench, executive vice president, Allen Schreiber, executive vice president and L. Douglas O'Brian.

Commercial paper: The department is headed by Burt Clark, executive vice president.

Leasing: The department is headed by Brendan Duggan, senior vice president.

International finance: The department is headed by Colin Hood, executive vice president.

NCNB National Bank

NCNB Plaza, Charlotte, N.C. 28255;
(704) 374-8990

The bank has total assets of \$12.8 billion and a legal lending limit of \$100 million. It has loans outstanding totaling \$7 billion.

NCNB Corp. is the parent firm. In addition to the bank, its major domestic financial affiliates are NCNB National Bank of Florida, Transouth Financial Corp. and NCNB Financial Services.

Its major international financial affiliates are Carolina Bank Ltd., NCNB (Asia) Ltd. and NCNB-Spedley Ltd. The bank has three branches outside the United States: London, Hong Kong and on Cayman Island. It also has representative offices in Sydney, Sao Paulo and Johannesburg.

There are 17 professional employees in corporate finance.

Private placements: In 1983, total volume of placements was \$50 million, divided evenly between domestic and European markets. The largest private placement in 1983 was for \$15 million. There are 25 professionals in this department, which is headed by W.W. Walker Jr., senior vice president, at (704) 374-8425.

Corporate financial planning: The bank had 15 relationships in 1983. There are four professionals in this department, which is headed by S.E. Robinson, senior vice president, at (704) 374-5723.

Commercial loans: This department is headed by James B. Berry, executive vice president, at (704) 374-5855.

Commercial paper: There are six professionals in this department, which is headed by Craig N. Wardlaw, senior vice president, at (704) 374-5239.

Leasing: This department is headed by Peter S. Chalmers, senior vice president, at (704) 374-8960.

International finance: In 1983, the foreign clients numbered more than 100. There are 75 professionals in this department which is headed by James B. Sommers, executive vice president, at (704) 374-5212.

Debt and equity services: The bank can assist in the direct placement of debt and equity issues and offer syndication advice on debt and equity. Other corporate services offered by the bank are mergers, acquisitions and divestitures, project finance, venture capital and currency and interest rate swaps.

Pensions & Investment Age will publish a special section on Taft-Hartley funds April 2. It will be an update on news and information affecting the jointly trusted pension funds.

Union Bank

445 S. Figueroa St., Los Angeles, Calif. 90051; (213) 236-5000

The bank has total assets of \$7.9 billion.

Standard Chartered Bank PLC is the parent firm. Its major domestic financial affiliates are StanChart Business Credit, StanChart Export Services and Market Investment Services.

Private placements: The bank has six active client relationships. The department is headed by Richard L. Fausett, vice president and manager, at (213) 236-5661.

Corporate financial planning: Mr. Fausett also heads this department of three professionals.

Commercial loans: In 1983 9,740

loans were originated with a value of \$3.2 billion. Of that amount, \$2.5 billion was domestic. There are 202 loan officers in this department of the bank.

Robert H. Schoubye is chief credit officer and executive vice president, at (213) 236-5829.

Leasing: In 1983, the bank was involved in 18 leasing transactions for a total of \$1.9 million. There are four professionals in this department, which is headed by R.A. Andreasen, vice president and manager, at (818) 304-1085.

International finance: In 1983, the bank had 395 foreign clients. There are 22 professionals in this department, which is headed by James R. Shoch II, senior vice president, at (213) 236-6794.

Debt and equity services: The bank can help float debt and equity issues.

It can assist in direct placement of debt and equity issues and also can offer syndication advice for debt and equity.

Wells Fargo Bank

420 Montgomery St., San Francisco, Calif. 94104; (415) 396-0123

The bank has total assets of \$23.8 billion and a legal lending limit of \$180 million. As of Dec. 31, it had loans outstanding totaling \$17 billion.

Wells Fargo & Co. is the parent firm. Its major domestic financial affiliates are Wells Fargo Realty Advisors, Wells Fargo Mortgage Co., Wells Fargo Leasing Corp., Wells Fargo Business Credit and Wells Fargo Credit Corp.

Its major international financial affiliates are Wells Fargo Ltd., London; Wells Fargo Bank International; Wells Fargo Asia Ltd.; and Shanghai Commercial Bank.

The bank has seven branches out-

side the United States: London, Milan, Tokyo, Singapore, Hong Kong, Buenos Aires and Nassau.

Foreign market seminar slated

NEW YORK — A one-day seminar on international equity investing will feature a discussion by pension fund officers, money managers and consultants.

The seminar, scheduled for March 27 at the Vista International Hotel, is sponsored by the Institute of Chartered Financial Analysts.

Topics scheduled for discussion at the seminar include international diversification and investment objectives, performance measurement, securities analysis, global industry research and portfolio management.

For more information on the seminar, contact Dee Barron at (804) 977-6600.

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Class 1-C	250,000,000	12	August 25, 2001	June 25, 1996	
Class 1-D	50,000,000	12	February 25, 2014	December 25, 2013	

(1) To be determined at the time of sale in negotiated transactions or otherwise.

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DEAN WITTER REYNOLDS INC.

February 16, 1984

How to translate overseas returns

PENSION FUNDS in the U.S. are showing a growing interest in international investing. However, before a plan sponsor selects an international manager and decides how to monitor investment performance, he should select performance benchmarks.

In the United States, the Standard & Poor's 500 stock index often is chosen as a bogey for portfolio performance.

International investors are presented with at least two choices for comparison in major overseas markets: the local market index, such as the Financial Times Actuaries All-Share Index in the United Kingdom and the Straits Times Industrial in Singapore, and the Capital International Perspective indexes.

The choice is not trivial. Indexes for the same country can differ for various reasons: returns might be capitalization-weighted or equally weighted; or the number of stocks or sectors might vary among indexes.

To the extent that the local index and the Capital International index might differ, perceptions of return and risk in a particular market might differ. Because indexes are a guide to the relative performance of management firms, these misconceptions could affect asset allocation and the assessment of performance.

For this article, the performance of some local market and Capital International indexes were compared for the 10-year period ended Dec. 31, 1982. The data was compiled from month-end price level indexes reported in the local currency.

First, consider what return characteristics make one index identical to another.

If the difference between two indexes on a month-to-month basis is taken, an average monthly difference of zero demonstrates similarity.

Because indexes are still free to vary in particular months, for two indexes to be exactly alike it is necessary that the difference be zero in any month. In other words, the volatility of monthly differences must equal zero. It then follows that the cumulative returns of the two indexes will be equal.

It is these characteristics — average monthly differences, volatility of differences and cumulative return — that can be used to analyze return similarities of the local market indexes and Capital International indexes.

Average monthly differences

The calculations of average monthly differences resulted in some surprises. In no country was the average monthly difference between the local market and Capital International statistically significant at the 95% level of confidence. The differences that existed were not large enough to conclude that one index consistently outperforms another.

The most useful statistic turned out to be the volatility of the monthly differences. The swing in differences between the two indexes actually addresses the question of how closely one index tracks another. The statistic combines information on the variability of each index, and the correlation between the two.

Tracking error

Volatility is calculated by taking the standard deviation of the return differences. This is called tracking error.

For example, if the annual tracking

error of the Financial Times Actuaries All-Share index vs. the Capital International index in the United Kingdom is 3%, that means that in a few years these indexes should be within plus or minus 3% of one another. If the FT index had a return of 10% in a given year, then it could be expected with a fair degree of confidence that the Capital International return would be between 7% and 13%. Conversely, knowing that Capital International reported a 10% return, one would expect that the FT would be in the 7% to 13% range.

What is a small or large tracking error? Three well-known U.S. indexes were examined — the Dow Jones Industrial Average, the S&P 500 and the New York Stock Exchange composite index.

The Dow uses a price-weighting scheme and covers 30 industrial corporations. The S&P 500 is broadly based and uses a capitalization-weighting scheme. The NYSE composite, weighted on a capitalization basis, is broadly based and comprises more than 1,500 stocks.

Table 1 shows the tracking error of two dissimilar indexes, the Dow vs. the S&P is 5.3%; while the tracking error of two similarly constructed indexes, the NYSE vs. the S&P, is 2.08%. (Note that all tracking errors and standard deviations are stated in annual terms).

The table shows the Hang Seng Bank, the Amsterdam General, the Straits Times Industrial and the Australian All-Ordinaries indexes differ substantially from their Capital International counterparts. Even the 3% to 4% tracking error seen in other indexes could be a cause for concern among portfolio managers.

A manager scoring a 12% portfolio return looks like a winner compared with an index's 10% return, but looks like a loser if the sponsor chooses an index with a 14% return as the benchmark.

Cumulative returns

Cumulative returns comprise the final piece in the returns analysis. The table shows few substantial differences arose during the 10-year interval.

Singapore's Straits Times index reported a 50.84% greater return than Capital International. The difference between the Netherlands index and the Capital International index also is prominent. Conversely, local indexes in Germany, Japan and the United Kingdom scored comparable returns to Capital International indexes during the period.

Risk is defined as the variability of returns, and is represented in the table by the annual standard deviation of return for each market.

Using an F-test, one may conclude that during the 10-year period the Australian All-Ordinaries, the Tokyo New Stock Exchange and the Straits Times all carried less risk than their Capital International counterparts. (An F-test determines if two standard deviations are significantly different from one another.)

These differences were significant at the 90% level of confidence.

Taking return and risk characteristics into account, it can be concluded that local market indexes for Singapore, Australia and the Netherlands differed substantially from the Capital International indexes. The evidence of differences is strong, but not overwhelm-

Table 1

Country	Index	Tracking error %**	10-year price return %	Standard deviation**
Australia*	All Ordinaries	6.40	27.36	21.75
	Capital International		22.76	24.94
Belgium	Belgian Stock Exchange	1.87	-15.17	14.27
	Capital International		-22.56	15.24
Canada	Toronto Composite	3.74	58.52	19.36
	Capital International		46.52	20.72
Germany	Commerzbank	1.80	5.47	13.72
	Capital International		5.04	13.37
Hong Kong	Hang Seng Bank	7.75	-7.07	45.97
	Capital International		-7.59	43.68
Japan	Tokyo New Stock Exchange	3.67	47.80	12.23
	Capital International		49.57	14.10
Netherlands	Amsterdam General	10.77	-13.77	15.35
	Capital International		11.36	16.80
Singapore	Straits Times Industrial	9.15	69.24	30.14
	Capital International		18.40	33.67
Switzerland	Swiss Bank Industrial	4.84	-35.10	16.56
	Capital International		-20.57	15.73
U.K.	FT All-Shares	3.11	75.16	29.20
	Capital International		71.02	29.13
USA	S&P 500	5.12	19.05	16.77
	Capital International		6.68	16.73
	S&P 500	5.30	19.05	16.77
	Dow Jones Industrial		2.60	16.45
	S&P 500	2.08	19.05	16.77
	New York Stock Exchange		25.58	17.39

* Australia data is from July 1973 to Dec. 1982.

** Stated in annual terms.

ing for Hong Kong and Japan. For Germany and the United Kingdom, the two sources of return information are similar to one another. The differences between local indexes in Belgium, Canada, Switzerland and the United States and the Capital International indexes fall into a gray area.

Investors, be they portfolio managers or plan sponsors, can apply these results in several ways. In the countries where evidence indicates the local market indexes fundamentally differ on return and risk measures, careful consideration should be given when choosing a benchmark.

The investor should consider an index's market coverage and the method by which it calculates returns. Investors must determine whether the index is constructed logically, and if it reflects accurately the universe of stocks.

In the countries where less significant differences arise between the index choices, the calculations still provide additional information. As the tracking error figures in the table show, two indexes can differ from one another by several percent in the short term, even though they are close for the long run.

This suggests that investors should not draw major conclusions from minor differences when measuring relative performance. Overperforming or underperforming the benchmark by 4% might look substantial, but it could be a random event in actuality.

The greatest benefit from this treatment of the relative attributes of benchmarks might be the light it throws on the subject of international investments in general, rather than in aiding the selection of one index over another.

Through a closer examination of indexes, the U.S. investor can see the solid nature of many of the foreign markets, with their broad industry representations, high capitalizations and good liquidity.

This realization will augment other well-known arguments for international diversification, namely risk diversification and higher returns.

After reviewing the indexes available, plan sponsors also might realize that international investments deserve a representation in U.S. portfolios more fitting to their global importance, comprising as they do, 50% of the world's equity market.

Rick Nelson is assistant treasurer of Bankers Trust Co.

By Rick Nelson

Pensions & Investment Age

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Director gives good marks to Teamster system

By Barry B. Burr

CHICAGO — All multiemployer pension funds should follow the example of the almost \$5 billion Teamsters Central States pension fund by hiring a "manager of managers" and simply monitoring that manager, believes George Lehr, executive director of the fund.

A few years ago, a suggestion that other multiemployer funds follow the example of the Central States Southeast & Southwest Areas Pension Fund would have horrified the Labor Department.

But the Teamsters Central States fund has been using the "manager of managers" approach since it was ordered to do so under a 1977 agreement with the Labor Department, and is delighted with the results.

The fund recently hired Morgan Stanley Inc. to replace Equitable Life in the major role.

Taft-Hartley

While Central States has high expectations of Morgan Stanley, others have qualms.

Morgan Stanley has decided to act as manager of up to about \$2.5 billion of the equity assets, a decision that raised eyebrows at the Labor Department and on Wall Street.

Nevertheless, Mr. Lehr recommends the Central States' approach for other multiemployer funds.

"Frankly, I think this is a model structure for all multiemployer pension funds," he said.

"Pick a manager of managers. Then trustees just oversee one manager."

Pondering the suggestion, an executive for one of the fund's money managers remarked, "Did you ask George Lehr if the Teamsters didn't have to select a named fiduciary, would they?"

The hiring of Morgan Stanley adds a page to another chapter in the story of the fund.

Earlier chapters saw Jimmy Hoffa, the removed union president, vanish, and Allen Dorfman, who served as a consultant to the pension fund and who owned an insurance company that handled some of the Central States employee benefit assets, slain.

They also saw, at one time, about 85% of the assets invested in real estate in Las Vegas, among other places.

Continued on page 26

Next round: Measures' legality questioned

Recapturing methods allowed

By Joel Chernoff

WASHINGTON — The Reagan administration, rejecting tougher options, will allow employers to use two controversial methods of recapturing excess assets from their pension plans.

The Cabinet Council on Economic Affairs agreed to allow companies to pursue spinoff/terminations under certain conditions and to replace a defined benefit plan

with a similar plan.

The council also decided to limit the interest rates used in determining lump-sum distributions to those available for single-life annuities.

Memorandums concerning internal disputes on the legality of the measures, particularly spinoff/terminations, might open the door to lawsuits that could threaten use of the methods, officials admit.

The correspondence was made public by Sen. Howard Metzen-

baum, D-Ohio, who seeks a nine-month freeze on terminations of overfunded plans.

The Pension Benefit Guaranty



Corp. has at least 15 applications for spinoff/terminations pending, with many companies and consul-

ants watching to see whether the method is acceptable. It also has on hold at least five applications for the so-called "termination/re-establishment" method, where a defined benefit plan is replaced with a new defined benefit plan.

The agency has approved 190 terminations since 1979 with reversions of \$1 million or more; 52 cases are now pending. Surplus assets totaled \$2.2 billion, "about one-third of one percent of the total assets of PBGC-insured pension plans," according to a cabinet council memorandum.

The administration position is the product of months of internal debate among the PBGC, the Department of Labor, the Treasury Department and the Internal Revenue Service. Sources say the IRS might differ on some fine points.

The policy reflects the administration's stance only in regard to the contested termination methods, and does not address the broader issue of clamping down on all terminations involving reversions.

The administration is just starting to explore whether greater changes, involving legislative action, will have to be made.

"I suspect that we're going to have a lot of explaining to do because of the internal debate and (the policy arguments) are now out on the washline," said William A. Niskanen Jr., a member of the

Continued on page 43

Policy battle continues

By Joel Chernoff

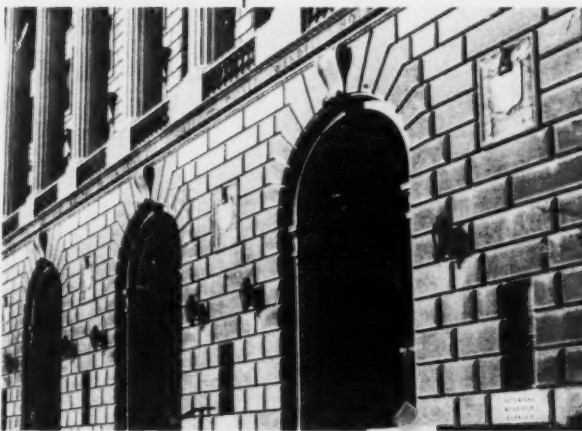
WASHINGTON — The battle on terminations of overfunded pension plans is far from over. Despite the Reagan administration sanctioning spinoff/terminations and replacing defined benefit plans with similar ones, a broader question is unresolved. That is whether plan terminations, in general, harm employees because they interrupt employees' future benefit accruals.

That is "a much more fundamental issue," said William A. Niskanen Jr., a member of the Council of Economic Advisers. "It goes to the heart of the pension system."

The Cabinet Council on Economic Affairs deferred acting on this issue on the

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The IRS Building, Washington



Levi Strauss exercises options

By Barry B. Burr

SAN FRANCISCO — Beginning an atypical and more risky options overwriting program, Levi Strauss & Co. will use puts as well as calls for its \$350 million pension fund.

"Most overwriting (by pension funds) is done with calls," said George F. Tucker, senior assistant treasurer.

"A call overwriter is only successful if the stock is flat or goes down." By using puts, Levi Strauss

can take advantage of a rising market, he said.

Levi Strauss hired L.F. Rothschild Unterberg Towbin Asset Management, New York, to manage the program. It will have authority to write, or sell, options on as much as \$20 million worth of stock in the Levi portfolio.

Herbert B. Soroca, vice president and options manager of Rothschild, said no more than \$10 million may be written on either calls or puts.

"We're doing this for the incre-

mental income to the (pension) fund," said Mr. Tucker. "We're not hedging or damping volatility (on the portfolio)."

"If you are looking at hedging, puts are inappropriate," added Mr. Soroca. "But if you are looking for incremental income, the use of puts and calls is the optimum strategy."

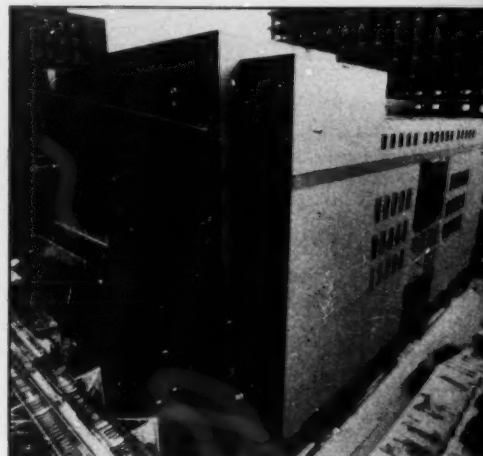
Levi Strauss is among the few pension funds using puts along with the more customary calls, although not all use them in the same manner.

In an options overwriting program, puts or calls are not used to change the underlying portfolio of the pension fund. For instance, Mr. Soroca said when Rothschild has to buy stock because a put is exercised, it will turn around and immediately sell the stock in the market, albeit at a loss.

Rothschild's strategy, though, is to avoid such a situation. Instead, Mr. Soroca said, Rothschild would buy back the puts, if it was likely

they would be exercised.

An official of another pension fund, who asked not to be



Chicago Board Options Exchange

named, mentioned an experience in writing puts on Digital Equipment. When the stock dropped some 20 points in a day last year, the options manager had no opportunity to buy back the op-

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Late news

Hearing called on CIOs

SACRAMENTO, Calif. — A legislative panel has called a hearing to examine why California's two largest pension funds have been without permanent chief invest-

ment officers for a year or more.

Officials and managers for the \$11 billion California Teachers' Retirement System and the \$21 billion California Public Employees' Retirement System have been asked to testify before the Committee on Pension Investments April 9.

State Assemblyman Lou Papan, a member of the committee and chairman of the Assembly Rules Committee, has sent letters to the systems asking "why so little had been accomplished in organizing an investment approach strategy."

Continued on page 2

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Variable Fund selects 3

By Eddy Christman

NEW YORK — The New York City Teachers' Variable Fund has hired three new managers to oversee a total of \$119 million effective April 1.

Mellon Capital Management Corp., San Francisco, was given \$75 million to oversee. Trinity Investment Management Corp., Boston, and ValueQuest Ltd., New York, each was given \$22 million.

The assets assigned to the new managers came from an index fund with Bankers Trust Co., New York.

"We had over \$1 billion dollars with Bankers Trust and we wanted to get some of it under more active management," said Wallace F. Sullivan, the fund's executive director.

The \$2.6 billion Variable Fund is the equity portion of the New York City Teachers Retirement System, which has total assets of \$7.4 billion. About \$4.8 billion in fixed income is overseen by the New York City comptroller's office.

Trident and ValueQuest are being added in a "sub-fund"

Continued on page 41

Sells 63,000 shares, contributes 55,000

Firm returns to common-stock well

By Kimberly Blanton

CRYSTAL LAKE, Ill. — Sun Electric Corp. placed company common stock in its \$13 million pension fund, a few days after selling stock it previously contributed to the fund.

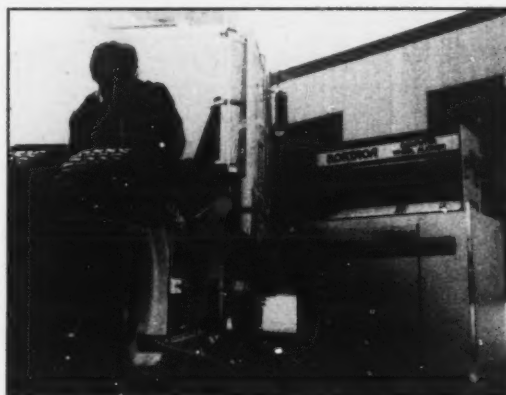
Last fall, the company, which has suffered a net loss for two years running, contributed 63,000 shares of Sun Electric stock to its fund in lieu of its usual cash contribution (Pensions & Investment Age, Sept. 5).

The fund sold the stock profitably in late December, according to company officers.

A Securities and Exchange registration filed March 20 showed Sun Electric placed another 55,000 shares of its own stock in the fund Dec. 29, soon after selling the first block of shares.

Sun Electric stock has dropped almost \$2 per share since Dec. 29 when the second contribution of stock was made. The closing price on the date of contribution, 17 1/2 per share, usually determines the value of a stock contribution. On March 26, Sun Electric, which is traded on the New York Stock Exchange, closed at 15 1/2 per share.

Although Sun Electric has not made public any plans to sell the 55,000-share block of stock, it registered the shares to prepare them for eventual sale, said Lee Enz, executive vice president and chief financial officer of Sun Electric.



The Nortron-brand wheel aligner from Sun Electric.

Mr. Enz said if the first block of common stock had not been sold before the second block was contributed, he believes the total value of Sun Electric stock would have ex-

ceeded 10% of the fund's \$13 million assets.

The Employee Retirement Income Security Act of 1974 prohibits a pension fund from having more than 10% of its assets in employer securities.

In the height of recession, contributions of corporate securities became a popular method for companies low on cash to fund their annual pension plan contributions.

As the recovery began, some executives speculated

the method might become a permanent fixture in their arsenal of corporate finance techniques.

For Sun Electric, a contribution of company securities is "a cash-

flow issue," and one piece of Sun Electric's "five-year plan," said Mr. Enz, who also is a trustee of the pension fund.

"Cash flow is really what this game is all about," said Mr. Enz. "I don't think everyone is still convinced we still might not have another recession."

The past two years have been difficult ones for Sun Electric. In its fiscal year ended Oct. 31, 1983, the company had an \$8.8 million net loss, against a \$7.1 million loss in 1982.

The combined year-end strategy of selling Sun Electric stock and immediately making a second contribution would not have been done if the stock were trading at a very low price in the market, however.

"If the stock's worth \$5, you wouldn't (initiate the transactions). If the stock's doing well, you'd want to go ahead and do it," he said.

Based on the 17 1/2 closing price of Sun Electric stock Dec. 29, when the 55,000 shares were placed in the fund, the second contribution was valued at \$949,000.

The higher the share price, the less stock a company needs to meet

Continued on page 44

N. J. stymied in 1st realty bid

By Mark Westerbeck

TRENTON, N.J. — State Attorney General Herbert Sablove killed the New Jersey Division of Investment's first attempt to invest in equity real estate.

In the process, he faulted the group trusts offered by the chosen money managers for not being registered investments with the Securities and Exchange Commission.

The \$9 billion state fund had picked five pooled funds, but Mr. Sablove, in a letter dated March 22, said they would fail the prudence requirement of the applicable state statute. Roland Machold, investment division director, said that statute is "similar to what has been the standard model law of the early 1950s."

The legal mix-up, which Mr. Machold has said hinged on "an obscure issue of law," clearly frustrated the director.

"This real estate program, which we nurtured along with a lot of

talking and rigamarole for a year and a half, lacking a change in the law, is dead," he said.

In his letter, Mr. Sablove suggested changes in wording that would alleviate the legal issue enacted by the state Assembly that "we could float to the Legislature and who knows where it would lead," Mr. Machold said.

He noted that presenting investment ideas for legislative consideration "poses some problems, because when you submit them, things have a tendency to get turned around."

Mr. Machold said he would submit the letter to his counsel and staff for consideration.

A year ago, the division got permission to invest 10% in real estate equity, and had sought to place about \$50 million with funds run by Coldwell Banker, Lehndorff & Babson Real Estate Counsel Inc., Metropolitan Life Insurance Co., Equitable Life Assurance Society of the United States and Prudential

Life Insurance Co. of America.

The division has another option, a direct, one-third interest in office buildings with a value of at least \$250 million, but Mr. Machold said such an investment was not likely to take place soon.

This case was the second instance within about a year of Coldwell Banker being thwarted — because of its investment format — after being selected by a public fund.

Earlier, the \$4.2 billion Pennsylvania State Employees Retirement System committed \$20 million before learning it couldn't become a partner in Coldwell's limited partnership pooled fund.

Coldwell Senior Vice President James G. Nugent expressed extreme dismay.

"It's hard to believe we go through this thing and one lawyer said it's not a legal investment," he said. "I don't know what the answer is. An attorney can always find something, but I think this is going to an extreme."

Continued from page 1

The committee members also are expected to look into the funds' investment management structures.

Alaska funds realty

JUNEAU, Alaska — The \$1.5 billion Alaska State Retirement System is completing funding to three real estate managers. In its second move into equity realty the fund picked JMB Institutional Realty Corp., Chicago; Smith Barney Real Estate Corp. and Morgan Guaranty Trust Co.'s real estate group, said Marty Lentz investment officer.

First stock purchase

VANCOUVER, British Columbia — The British Columbia Workers' Compensation Board is investing in equities for the first time, placing \$450 million of its \$1.4 billion in assets in the Canadian stock market. This also marks the first time the fund has used outside managers.

Managers have been selected but their names will not be released until they are approved by the ministers of finance and labor, said Grant McMillan board spokesman.

The parliament removed the ban on equities to improve the compensation board's returns, reducing the fund's \$500 million unfunded liability. The compensation board fund is similar to a state accident insurance fund in the United States.

Four add FRIMCO

TACOMA, Wash. — Santa Barbara Bank & Trust, the Merchant's National Bank of Topeka, Kan., and Johnson County Bank, Shawnee Mission, Kan., have hired Frank Russell Investment Management Co. to invest a portion of their pension portfolios in FRIMCO's seven mutual funds.

All the banks are offering FRIMCO's services to their pension clients and to individual trust customers.

The Santa Barbara Bank & Trust, which manages about \$42 million in employee benefit assets, initially will invest roughly \$2 million from the bank's own pension

fund assets, said Lawrence L. Wathey, senior vice president and senior trust officer.

Fund invests in pools

KANSAS CITY, Mo. — The \$1.3 billion Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers and Helpers national pension trust has decided to invest in two equity real estate pools, said David Hansen, financial director.

The fund is committing \$5 million to a closed-end fund run by Karsten and Associates, and \$5 million to the open-end Developmental Properties Account managed by Copley Real Estate Advisors.

Unisex effort gains

WASHINGTON — The House Energy and Commerce Committee adopted a stripped-down version of a bill requiring use of sex-neutral actuarial tables in setting pension and other group insurance benefits.

The bill adopted by the committee would require that pension plans not use sex-based tables in determining benefits based on future accruals, starting two years after the measure's final passage.

This would eliminate the original bill's retroactivity feature. The new bill would codify and perhaps extend a 1983 Supreme Court decision involving an Arizona deferred annuity plan, according to experts.

Mesta, PBGC accord

PITTSBURGH — Mesta Machine Co. will pay the Pension Benefit Guaranty Corp. \$1 million in a combination of cash, stocks, warrants and a share of future profits if an amended reorganization plan is approved.

Last December, the PBGC sued Mesta to force the termination of its pension plan, which has about \$42 million in unfunded liabilities. The agency since has filed several claims totaling about \$75 million, the company confirmed.

The PBGC had not seen the reorganization filing yet and thus had no comment, a spokesman said. But a Mesta official said the plan reflects general agreement between the parties on basic points.

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Investors plan to stock up on investments

International markets prove fruitful shopping

By Rose Darby

NEW YORK — Many U.S. pension funds increased their commitments to international markets in 1983, and their funds emerged significantly richer for their good timing.

Some of the sponsors are so pleased, they plan to increase their commitments further in 1984, although perhaps not as much as in

1983. According to *Pensions & Investment Age's* statistics, the nation's largest pension funds had almost twice as much invested internationally at the end of 1983 as at the beginning of the year.

"Internationally, 1983 was a good year for us," said Harry Vernon, assistant treasurer of Minnesota Mining & Manufacturing Co. "We did substantially better there than we did with our average U.S. investment."

He said 3M increased international exposure through two managers to \$47 million in the third quarter of 1983 from \$5 million in the same period of 1982.

Mr. Vernon declined to name the two advisers.

The market gains were so good, he said, they more than offset the losses suffered from currency conversion into the dollar.

Among numerous reasons for 3M's foray into foreign investment was the quantity of opportunities for enhanced returns, Mr. Vernon said.

"When one country's market is not doing well, there are other places to put your money," he reasoned.

This went hand-in-hand with the diversification that could be derived from the markets of individual countries moving not so close as to be parallel to one another, he pointed out.

"And, we have the feeling that though currency markets are extremely hard to judge, the spectacular rise of the dollar over the last two years will not be duplicated in the next two years," Mr. Vernon explained. "So, that big

negative item that foreign markets had to carry before may actually add to performance, rather than detract from it."

Further, there might be a specialized high-growth industry, such as high technology, in which it's hard to find an individual or pure play at home, he added, "and you may be able to find a direct play overseas."

During 1984, from the roughly \$1.3 billion total retirement assets, "the percentage (of international investment) will increase to up over \$50 million," Mr. Vernon said.

Asset allocation will be left to the managers, he added, although right now they are mostly in equities.

Second in order of percentage of increase was the E.I. du Pont de Nemours & Co. pension fund, with \$340 million in 1983 from \$54 million in 1982, an increase of about 529%.

When the market began to soar in mid-August 1982, the fund already had a small amount in international investments, according to David F. Marvin, vice president of pension fund investments.

Shortly thereafter, he explained, "we significantly increased our bets."

In fourth-quarter 1982, we made a sharp increase in Japan investment, and by year-end 1982 we were at \$150 million to \$170 million."

Now the fund's international exposure comes to 8% of total equity investment for the roughly \$7 billion employee retirement fund, Mr. Marvin said.

That amount is 100% invested in Japanese equities, he added, "between the Du Pont and the Remington Arms plan there's about \$343 million."

Emphasis is on export-oriented stocks, such as high-technology issues, Mr. Marvin noted, including **Fujitsu, NEC, Matsushita and Fanuc.**

"Performance in 1982 and 1983 was quite good relative to the Tokyo stock exchange index," he pointed out.

Mr. Marvin explained there are no major overseas investment moves imminent for Du Pont, because "it's a fairly significant exposure already, especially given the volatility of the Japanese market."

"It tends to be two to three times as volatile as domestic markets, and that tends to have a disproportionate effect because of the yen/dollar exchange rate," he said.

Indeed, the yen has been gaining steadily on the dollar since early this year. According to Nikko International Capital Management Co. in New York, the

Continued on page 42

Funds' increase of international investment

Company	1982 (\$ mil.)	1983 (\$ mil.)	% of increase
Minnesota Mining & Mfg.	5	47	840
Du Pont	54	340	529
ITT	5	30	500
Allied Corp.	25	90	260
Hawaii Employees Retire.	20	63	215
Hughes Aircraft	14	40	186
RCA Corp.	17	45	165
Exxon	51	132	158
TRW	35	82	134
World Bank Staff Retire.	105	245	132
Hercules	17	38	124
IBM	445	978	119
AT&T	92	200	117
Owens-Illinois Inc.	39	85	117
Continental Group Inc.	22	47	114
American Airlines	50	100	100
CIGNA Corp.	35	26	71

All figures are 3rd quarter investments.

Legislator fuels attack on NYC funds

By Eddy Christman

NEW YORK — A state senator, wielding myriad accusations aimed at New York City pension fund officials, is introducing legislation to "reform the state and city pension fund procedures" for hiring and firing investment managers.

The proposed legislation will help the funds' performance, said Sen. Franz S. Leichter, who represents a Manhattan district.

His proposal has three parts:

- A competitive bidding procedure for all hirings of investment advisers.

- Removal of an adviser not performing at least as well as the Standard & Poor's 500 stock index for at least one out of every six quarters or two consecutive years.

- Performance-based fees for all money managers.

In introducing his proposals, Mr. Leichter charged public pension funds are not handled well.

"The entire procedure of selecting, paying and rating the performance of the managers of the pension funds is shrouded in secrecy," he said. His proposals would "avoid political nepotism" in the hiring of investment managers, Mr. Leichter said.

He also claimed "the pension funds' performance over the last several years has been far less than what the public employees of this state deserve."

Continued on page 41

BellSouth's first step may be overseas

This is the fourth in a series on the effects of divestiture on the new telephone operating companies.

By Kimberly Blanton

ATLANTA — BellSouth Corp.'s belief that overseas markets are right for investing could dictate the pension fund's first move.

While keeping an open mind to all types of investments for the BellSouth fund, Kincaid Patterson, director of asset management, is in no hurry to make changes — except perhaps on the international front.

He believes the time to invest overseas is "particularly attractive" and plans to act on that first.

"I think we'll take a good hard look this year," he predicted. The opportunity to buy into the relatively depressed economies of

Western Europe, coupled with a strong U.S. dollar, provide the impetus for making overseas investments now, he said.

Another of the investment staff's projects is hooking up its microcomputers to the computer at its master trust bank, Wachovia Bank & Trust Co., Winston-Salem, N.C. This state-of-the-art technology gives corporate pension funds access to the market value of each manager's portfolio, daily trades completed and pending, the total amount of any one stock held, as well as manager performance.

In time, however, Mr. Patterson intends to broaden the fund's investment portfolio.

He might use direct real estate investments to supplement the pension fund's share in AT&T's pooled fund, and will consider

bringing some index fund assets inside to be run by his investment staff, which now numbers eight.

He also anticipates expanding his lineup to include venture capital and some managers that invest in stocks outside the Standard & Poor's 500 index.

"Our managers are basically S&P 500, and we'd like greater exposure," he said.

But, as with international investing, "the market would affect my thinking (on) smaller-capitalization stocks."

Nevertheless, Mr. Patterson said he is happy with those equity and fixed-income managers American Telephone & Telegraph Co. turned over to BellSouth.

"We are really comfortable with where we stand," he explained. "We have no plans to change any of our manager relationships in the immediate future."

Instead, the question is, "whether or not we want to supplement" the

BELLSOUTH

current lineup.

BellSouth's pension fund is one of four divested telephone companies that took over half of its assets Jan. 1. It will receive the rest in 1985, when AT&T finishes its actuarial studies. BellSouth's plan probably will be between \$4.5 billion and \$5 billion.

Continued on page 46

Savings Bank system restructures

By Rose Darby

NEW YORK — The roughly \$450 million Savings Banks Retirement System has hired two international managers, a short-term fixed-income manager and a new custodian as part of a general restructuring.

The international managers are Morgan Grenfell Investment Services Ltd. and Rowe Price-Fleming International Inc.; the short-term manager is Discount Corp. of America; and the custodian is Irving Trust Co.

The system has been restructuring for more than a year as part of a plan to attract more funds from thrift institutions.

Since the restructuring began in

October 1982, total assets have increased by 24%, to about \$450 million from \$364 million, as of Feb. 29.

As part of the restructuring, the system will register as an investment company and change its name to legally encompass a wider circle of plans, said Edward J. Macheski Jr., vice president-investments.

The system is a multiemployer trust that provides retirement plans for more than 110 thrift institutions. It offers consulting, administrative, actuarial and investment services to its participating plans, according to Mr. Macheski.

Registration should be accomplished and the name changed by the second half of 1984, he said.

"The retirement system's orientation is to invest pension assets of savings banks, savings and loans and smaller commercial banks," he pointed out. "We don't have any S&L pension funds at this point in the system, and we sense that it's a very large market."

The system's goal is to double pension assets within the next five years, according to Mr. Macheski.

To accomplish this, he explained, "we hope to launch a marketing program in which commercial banks and S&Ls are the targets."

The transition from a "one-horse" fund that was 90% invested in bonds to the streamlined system that has emerged took less than two years, said Mr. Macheski.

In that period, the system hired

three equity managers — Lieber & Co., Harrison, N.Y.; Pioneering Management Corp., Boston; and Forstmann-Leff Associates Inc., New York — and two fixed-income managers, Criterion Investment Management Co., Houston, and T. Rowe Price Associates Inc., Baltimore.

"This whole change is relatively new. I joined in late 1981," he explained. Sheila Peck, assistant vice president-investments, joined in early 1983.

Revamping the system "was an opportunity to help change something, to be very creative and have a lot of autonomy," added Mr. Macheski.

The opportunity seemed to pay

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MARCH 8, 1984

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International market . . .

Continued from page 3
 yen closed at 233.50 against the dollar Jan. 4, and had risen to close to 221.70 by March 6.

Another pension sponsor with a concentration of investment in Japan is the Hawaii Employees Retirement System, which has total assets of about \$2.01 billion.

Hawaii placed fifth on the list of sponsors who increased international investment exposure during the past year, moving to \$63 million in 1983 from \$20 million in 1982, an increase of about 215%.

"Back in 1982, we felt from listening to economists that the Japanese economy was a good one and the yen undervalued," said Stanley Siu, executive secretary for the fund.

The fund has about \$100 million invested in the Pacific Basin, explained Mr. Siu, equally divided between its two managers, Nomura Capital Management and Daiwa International Capital Management Corp. The two money managers are invested purely in equities, he added.

Their 1983 performance was exemplary, he added. Statistics from SEI-Funds Evaluation show that for the year ended Sept. 30, 1983, "the Daiwa investment was up by 66% and the Nomura one was up by 67%," Mr. Siu said.

He noted that "we may be looking into investing in the European

and United Kingdom markets, but not immediately, possibly later in 1984 or next year."

If the fund were to make such a move, a new international manager would be required, he added.

Another pleased international investor is the Allied Corp., according to Edward T. Tokar, director of investments. Allied has overall pension and employee benefit assets of \$3.2 billion, he said.

"We got in around May of 1982, as the international markets were hitting lows and the dollar was strengthening. There seemed to be a lot less enthusiasm over international at the time," he said.

The initial 1982 commitment of \$25 million was increased to \$90 million by 1983, he said.

That 260% increase puts Allied in fourth place in ranking firms increasing international investments during 1983.

The fund got in at the bottom of many international markets, Mr. Tokar noted. "As a result, international was the best performing component in 1983 and so far this year it has led the way," he said.

"We have about \$125 million (in international) today, or about 5% of total assets."

Much of this is managed by Kleinwort Benson International Investment Ltd., Morgan Grenfell Investment Services Ltd. and Batterymarch Financial Management

in equity accounts.

There is also a dollar- and non-dollar-denominated fixed-income securities account being run by Morgan Guaranty Trust Co.'s international investment group, he added.

As for the remainder of this year, further financial commitment to overseas investment is unlikely, Mr. Tokar said. "Because those markets have already appreciated substantially, we are staying at 5% of the total."

One pension fund that managed its own overseas investments is CIGNA Investment Advisory Co.

CIGNA increased its international investment during 1983 71%, to \$60 million in 1983 from \$35 million in 1982. Only \$10 million to \$12 million of that sum was pension fund assets, explained Herbert Evert, president of CIGNA's investment subsidiary.

"In 1983, performance of international was 34.5% vs. 20.9% for the Europe and Far East index," he pointed out.

"We were principally invested in equities internationally, with an emphasis on European equities such as Sweden, France and Germany, which did very well, but not as well as the Far East equities."

Mr. Evert said CIGNA will double the amount of pension assets going into international during 1984, emphasizing equities. ■

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Savings Bank . . .

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 off in terms of performance.

About \$180 million managed in-house in bonds and equities outperformed most of the system's outside managers for the year ended Feb. 29, he said.

The \$120 million internally managed fixed-income fund, invested in intermediate bonds and mortgages, had a total return of 7.04%.

The roughly \$60 million in bonds being actively managed by Criterion Investment Management came in at 4.39% and a similar fund for the same amount managed by T. Rowe Price returned 6.77%.

During the same period, the roughly \$60 million cash equivalents fund, managed by Irving Trust, yielded 9.67%.

The system's in-house bond fund also trounced the Lehman Brothers Kuhn Loeb Intermediate Government bond index return of 7.28% for the year ended Feb. 29.

In equities, the system did even better. The roughly \$57 million in-house-managed core equity fund returned 15.58% for the period. The \$35 million emerging growth fund managed by Leiber & Co. had a 7.18% return for the 12 months, and a like amount in a value equity fund managed by Pioneering Management Corp. was up 12.1%. A \$14 million market timing fund run by Forstmann-Leff was up only 5.4% for the period.

For the same period, the Standard & Poor's 500 stock index had a 10.74% return.

The guidelines for the core fund managed in-house include an 80% weighting in large-capitalization stocks of high quality, said Ms. Peck. The remaining 20% is in small-capitalization issues.

"We are very broadly diversified. There's an element of market timing because we have guidelines on cash reserves of 0 to 25%," she said.

As for the overall equity portfolios, "we try to have four segments of the equity market that have a minimum of overlap with the big-cap stocks," said Mr. Macheski.

"There is about a 10% overlap among the four equity funds, and that's pretty good. All four manag-

ers are fishing in very distinct ponds. We're trying to get the best of each style."

The most recent change is the international hirings.

"Money will be proportioned out between three fixed-income funds to fund the international component with roughly \$20 million," said Mr. Macheski.

Investment in Japan and the Pacific Basin by a Japanese manager was seriously considered, he said. "But, we weren't quite comfortable at this point. We may do something down the road, because they have the insight. It's their language and their market."

He also talked about the change in custodial relationships:

"We were with U.S. Trust for two years, and when they asked for a fee increase, rather than renew automatically, we interviewed five custodians. We found the business is very competitive and Irving offered an attractive package."

After a search aimed at finding short-term investment funds that lacked the liquidity bias that most bank short-term investment funds shared, the system hired Discount Corp. of New York.

The firm will invest short-term assets, which will come from Irving Trust's short-term fund.

"Because our short-term fund was of a permanent nature, we realized that we were leaving too much money on the table," Mr. Macheski explained.

"Given the volatility of rates, there is a point in time to extend your average portfolio maturity to 180 days. If rates are going to drop, then you can pick up substantial income that way," he reasoned.

This contrasts with the normal STIF fund that has a bias for liquidity between 20 and 40 days.

"In our fund, there is no need for that kind of liquidity, so the incremental gain by being able to actively manage that money will be somewhere between 100 and 150 basis points."

He said alternative investments, such as real estate, venture capital and hedging, are being researched. None will be employed in the near future, according to Mr. Macheski. ■